## Section 1.
### Better investments for a better world
- Investment performance
- Our products
- Materiality assessment

## Section 2.
### Our ethical approach
- Ethical investment policy
- Our Ethical Advisory Panel
- Negative screening
- Investing in positive outcomes
- Engagement and advocacy
- Our community contribution

## Section 3.
### The people behind our impact
- Board of directors
- Management team
- Our people

## Section 4.
### Stakeholder engagement and financial performance
- Our clients
- Financial performance
- Our material topics

---

- Global Reporting Initiative (GRI) index
Why U Ethical

U Ethical is an investment manager with a difference. Since inception, we have worked to create a better world by investing with purpose.

We are focused on serving the needs of all kinds of investors — from corporate and institutional, to not-for-profits, to individual clients. Whether big or small, our clients trust us to deliver competitive returns while doing the right thing by communities and the planet.

Today, we are one of the largest ethical investment managers in Australia, with $1.2 billion in funds under management. Unlike the majority of ethical managers, we are a not-for-profit social enterprise, which means most of our surplus goes to support social justice advocacy and community programs.

In addition, we are one of the few investment businesses in Australia to be certified as a B Corporation. B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. We are proud to be amongst the top 10% of B Corps globally in the Overall and Community categories.

U Ethical is an active investor. We adopt clear positions on important ethical issues and don’t shy away from holding companies to account. This includes divesting or excluding companies from our portfolios on ethical grounds if we consider it necessary.
Corporate ethics are under the spotlight, globally and domestically, like never before. We welcome this scrutiny, as a key aim of U Ethical is to generate competitive returns for our investors within a strong ethical framework covering environmental and social considerations.

This past year has been one of significant transformation for the business at the same time as the banking royal commission is forcing the entire industry to change its practices.

We do not want to be tainted by the failures of the major financial institutions to put the interests of their customers first, as highlighted by Justice Hayne. However, we have not been immune to the fallout of the inquiry and have also had further regulatory demands placed upon us.

We consider this an opportune time to highlight our ethical foundations in the marketplace, as evidenced by our recent change of name to U Ethical.

We are in the second year of our five-year strategy designed to grow the business significantly and double our impact through our community contribution. This has required substantial restructure and investment in people and systems. We have also had a strong focus on improving the delivery of services to our clients.

Other challenges we have had to deal with include historically low interest rates and considerable uncertainty in financial markets. Despite these difficulties, we have maintained competitive investment performance.

We farewelld Katherine Allchin from the board and welcomed three new directors. Along with their strong experience in investment and financial markets, the appointment of Zarmeen Pavri, Dr Deborah Ralston and Kerrie Williams restores our board’s gender balance to 50% female and male.

I acknowledge the contributions of our previous and current directors and thank them for their vision and leadership in guiding the business over the past year.

Finally, I wish to thank Mathew, the management team and, indeed, all of our dedicated staff for their diligence during this period of transition for the business. I look forward to continuing to assist the organisation over the coming year to build upon the solid foundations established by their efforts.
This financial year has been one of transformation as we pursue the board’s goal of doubling our community contribution over five years. Our strategy, designed around the pillars of visibility, accessibility and performance underpinned by ethical leadership, has required a material investment in future growth.

The most tangible manifestation to date is our rebrand to U Ethical with the tagline ‘investing with purpose’. This was chosen with great care as a contemporary expression of our single-minded focus on ethical investment. We have also made a significant investment in people—bolstering the depth and diversity of our investment and distribution teams in particular—as well as in systems to enable scalability.

In a difficult year for markets, investment performance was competitive. Of particular note was the International Equities Portfolio which returned 17.6%, outperforming its benchmark by 5.4%—this portfolio is now available to wholesale investors in the newly created U Ethical International Equities Trust. The Australian Equities Portfolio returned a market-competitive 12.1% and the Enhanced Cash Portfolio paid an attractive yield of 2.6%.

Ethical leadership is a journey and we have made significant progress refining our ethical evaluation process. In particular, we have incorporated the UN Sustainable Development Goals into our investment process, targeting companies which we believe are committed to contributing towards their achievement. We also continued our advocacy program, which included supporting the Christchurch Call and the Uluru Statement from the Heart.

With our focus firmly on building for the future, financial performance this year has met expectations. Funds under management grew by 3.4% to $1.19b and revenue was up 8.2% to $9.4m. Reflecting the significant investment in growth, operating profit of $3.0m was down on the prior period but a healthy 1.5% ahead of budget. And at $3.1m, our community contribution was maintained at around the average.

The coming year will be just as busy as the last. We shall continue to strive for competitive financial returns and ‘ethical alpha’—delivering substantially greater positive impact than traditional portfolios. It will also see the modernisation and expansion of our product suite as we serve clients with varying investment objectives and risk appetites.

I’d like to thank the board for its continuing support and the whole team at U Ethical for giving of their talents in the passionate pursuit of a better world.
Year in review

<table>
<thead>
<tr>
<th>Category</th>
<th>Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>4,610</td>
</tr>
<tr>
<td>Funds under management</td>
<td>$1.2b</td>
</tr>
<tr>
<td>Investment income distributed</td>
<td>$35.2m</td>
</tr>
<tr>
<td>Revenue</td>
<td>$9.4m</td>
</tr>
<tr>
<td>Operating surplus</td>
<td>$3.0m</td>
</tr>
</tbody>
</table>

Our clients

- Wholesale: 86%
- Retail: 14%

Our voting record

- 159 votes against management resolution
- 53 votes against compensation-related resolutions

Community contribution

- 280 attendees over 2 events
- 200% increase in monthly web traffic

Certified

B Corporation

125.2

B Impact Score

New brand launched 3 May

$3.1m

community contribution

Social justice advocacy
- Support services
- Education
- Intercultural
- Disability inclusion
- Prison chaplaincy

50/50

gender balance across board and management team

531 resolutions

- 125,200 B Impact Score
- New brand launched 3 May
- 200% increase in monthly web traffic
- 280 attendees over 2 events
- 1,619 attendees from 2 events
- Same year as the previous B Corp certification

As at 30 June 2019.
Section 1.
Better investments for a better world
Investment performance

In a difficult year for markets, investment performance was competitive. Strong returns from the international equities portfolio\(^1\) saw it outperform its benchmark\(^2\) by 5.4%\(^3\) after fees.

---

1. The international equities portfolio was part of the Growth Portfolio up to 31 July 2019. From 1 August 2019, it was converted into the International Equities Trust, available to wholesale clients.
2. MSCI World Ex Australia TR Index (AUD).
4. Figure includes funds invested from U Ethical Enhanced Cash Trust and U Ethical Funeral Fund.
5. Figure includes funds invested in U Ethical Australian Equities Portfolio and U Ethical Enhanced Cash Portfolio.
Table 1: Performance to 30 June 2019\(^1\)

<table>
<thead>
<tr>
<th>Fund/Portfolio</th>
<th>1yr</th>
<th>5yrs</th>
<th>10yrs</th>
<th>20yrs</th>
<th>Inception</th>
<th>Inception date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total return</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U Ethical Growth Portfolio</td>
<td>10.6</td>
<td>10.6</td>
<td>10.2</td>
<td>9.3</td>
<td>10.3</td>
<td>1 Jul 1985</td>
</tr>
<tr>
<td>Benchmark(^2)</td>
<td>11.0</td>
<td>9.2</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>U Ethical Australian Equities Portfolio</td>
<td>12.1</td>
<td>10.3</td>
<td>9.7</td>
<td>9.0</td>
<td>10.8</td>
<td>1 Jan 1986</td>
</tr>
<tr>
<td>Benchmark(^3)</td>
<td>11.4</td>
<td>8.9</td>
<td>9.9</td>
<td>8.7</td>
<td>10.2</td>
<td>—</td>
</tr>
<tr>
<td>U Ethical Australian Equities Trust</td>
<td>9.3</td>
<td>8.5</td>
<td>8.7</td>
<td>—</td>
<td>8.3</td>
<td>7 Jul 2003</td>
</tr>
<tr>
<td>Benchmark(^3)</td>
<td>11.4</td>
<td>8.9</td>
<td>9.9</td>
<td>—</td>
<td>9.6</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income yield</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U Ethical Enhanced Cash Portfolio</td>
<td>2.6</td>
<td>3.0</td>
<td>4.1</td>
<td>4.9</td>
<td>7.2</td>
<td>1 Jul 1985</td>
</tr>
<tr>
<td>U Ethical Enhanced Cash Trust</td>
<td>2.3</td>
<td>2.6</td>
<td>3.7</td>
<td>4.3</td>
<td>5.9</td>
<td>1977</td>
</tr>
<tr>
<td>U Ethical Funeral Fund</td>
<td>2.3</td>
<td>2.6</td>
<td>3.7</td>
<td>4.3</td>
<td>4.4</td>
<td>2 Feb 1997</td>
</tr>
</tbody>
</table>

---

\(^1\) Past performance is not an indicator of future performance.

\(^2\) 70% Australian shares, 10% international shares, 10% property, 10% enhanced cash.

\(^3\) S&P/ASX 300 Accumulation Index.
Our products

Australian Equities Portfolio\(^1\) holdings

Amcor
Australia and New Zealand Banking Group
a2 Milk Company
Bingo Industries
Boral
BlueScope Steel
Brambles
Carsales.Com
Commonwealth Bank of Australia
Challenger
Coles Group
CSL
Fortescue Metals Group
GB Education
Goodman Group
GUD Holdings
InvoCare
JB Hi-Fi
Lendlease Group
Macquarie Group
Monash IVF Group
National Australia Bank
Oil Search
QBE Insurance Group
REA Group

Ramsay Health Care
ResMed
Reliance Worldwide Corporation
Seek
Sonic Healthcare
Suncorp Group
Transurban Group
Telstra Corporation
Westpac Banking Corporation
Wesfarmers
Woodside Petroleum

Figure 4: Australian Equities Portfolio sector exposure

\(^1\) A charitable debenture product managed by U Ethical and issued by UCA Growth Fund Limited which relies on ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.
Australian Equities Trust holdings

Amcor
Australia and New Zealand Banking Group
a2 Milk Company
Bingo Industries
Boral
BlueScope Steel
Brambles
Carsales.Com
Commonwealth Bank of Australia
Challenger
Coles Group
CSL
Fortescue Metals Group
G8 Education
Goodman Group

Figure 5: Australian Equities Trust sector exposure

GUD Holdings
InvoCare
JB Hi-Fi
Lendlease Group
Macquarie Group
Monash IVF Group
National Australia Bank
Oil Search
QBE Insurance Group
QMS Media
REA Group
Ramsay Health Care
ResMed
Reliance Worldwide Corporation
Seek
Sonic Healthcare
Suncorp Group
Transurban Group
Telstra Corporation
Westpac Banking Corporation
Wesfarmers
Woodside Petroleum

37 companies

A registered managed investment scheme issued, administered and managed by U Ethical.
Enhanced Cash Portfolio\textsuperscript{1} holdings

The Enhanced Cash Trust\textsuperscript{2} and the Funeral Fund\textsuperscript{3} are wholly invested in the Enhanced Cash Portfolio.

Cash and liquid securities

Bank of Queensland
Bank of Western Australia
Bendigo and Adelaide Bank
National Australia Bank
Suncorp Metway

Interest bearing securities

AMP
Australia and New Zealand Banking Group
Bank of Queensland
Bank of Western Australia
Bendigo and Adelaide Bank
Bundesrepublik Deutschland
Commonwealth Bank of Australia
ING Bank (Australia)
National Australia Bank
Suncorp Group
Westpac Banking Corporation

![Figure 6: Enhanced Cash Portfolio asset allocation]

Table 2: Security credit ratings

<table>
<thead>
<tr>
<th>Security credit ratings</th>
<th>Make up %</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>0.3</td>
</tr>
<tr>
<td>AA-</td>
<td>38.5</td>
</tr>
<tr>
<td>A</td>
<td>10.9</td>
</tr>
<tr>
<td>A-</td>
<td>3.9</td>
</tr>
<tr>
<td>BBB</td>
<td>27.2</td>
</tr>
<tr>
<td>Loans</td>
<td>19.2</td>
</tr>
</tbody>
</table>

\textsuperscript{1} A charitable debenture product managed by U Ethical and issued by UCA Cash Management Fund Limited which relies on ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.

\textsuperscript{2} A registered managed investment scheme issued, administered and managed by U Ethical.

\textsuperscript{3} A charitable managed investment scheme issued, administered and managed by U Ethical, which relies on ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.
Growth Portfolio\(^1\) holdings

Abacusc Property Group  
Alphabet  
Amcor  
Apple  
Australia and New Zealand Banking Group  
Australian Unity Office Fund  
a2 Milk Company  
Bingo Industries  
BlueScope Steel  
Boral  
Brambles  
Bristol Myers Squibb  
Carsales.Com  
Challenger  
Charter Hall Group  
Cisco Systems  
CME Group  
Coles Group  
Commonwealth Bank of Australia  
CSL  
Dexus Property Group  
Ecolab  
Fortescue Metals Group  
GUD Holdings  
GB Education  
Glaxosmithkline  
Goodman Group  
GPT Group  
Home Depot  
Inditex  
InvoCare  
JB Hi-Fi  
Kimberly-Clark  
Koninklijke Philips  
Lendlease Group  
Macquarie Group  
Mastercard  
Monash IVF Group  
National Australia Bank  
Novo-Nordisk  
Oil Search  
QBE Insurance Group  
Ramsay Health Care  
REA Group  
Reliance Worldwide Corporation  
ResMed  
SAP  
Scentre Group  
Seek  
Sonic Healthcare  
Stockland  
Suncorp Group  
Telstra Corporation  
TJX Companies  
Transurban Group  
Unibail-Rodamco  
Unilever  
Union Pac  
United Parcel  
Vestas Wind Systems  
Vicinity Centres  
Wesfarmers  
Westpac Banking Corporation  
Woodside Petroleum

---

\(^1\) A charitable debenture product managed by U Ethical and issued by UCA Growth Fund Limited which relies on ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.
Materiality assessment

Ethical investment is predicated on our stakeholders’ values driving societal, environmental and financial outcomes. The financial imperative supports the social and planetary outcomes our stakeholders want to see. For this report, we conducted a materiality review to ensure we balance our stakeholders’ views with an ever-evolving set of ethical demands.

As part of this process, we developed a ‘universe’ of 38 topics that are relevant to either our stakeholders or to the organisation. We then refined the list by placing them within the 10 categories shown in Figure 8.

It is important that we maintain our focus on the nexus of the issues upon which we can effect the greatest change—and that are most important for our stakeholders. To this end, we plotted the 10 topic categories based on their relative importance to stakeholders and to the organisation. This identified the five ‘highly material’ themes shown below. The five themes, and our approach to managing them, are explored at the end of this report.

Figure 8: Material themes

- How we do business
- Fit-for-purpose products
- Climate preparedness
- Workforce
- Our impact
- Social justice
- Responsible sourcing
- Direct environmental footprint
- Waste
- Financial capability development
In FY2020, we will begin using the UN Sustainable Development Goals (SDGs) as a framework for capturing the breadth and depth of our impact. In 2015, 194 countries, including Australia, agreed to the 17 SDGs as the best way to jointly address societal inequalities and human impacts on our natural world. Further detail on the SDGs can be found on pages 23 and 24.

To guide this initiative—and similar to the process outlined on the previous page—we plotted the 17 SDGs in Figure 9 according to their importance to stakeholders and to U Ethical.
Section 2. Our ethical approach
Ethical investment policy

We consciously seek to achieve our vision of a better future for all through the power of purposeful investing. This means that we build portfolios which both reflect the values of our clients, and deliver competitive market returns.

We foster a multifaceted approach to ethical investing, applying an initial top-down exclusionary screen ensuring the removal of companies involved in undesirable activities, and consciously seeking out ‘the good’—companies that promote human welfare, dignity and environmental sustainability. We incorporate environmental, social and governance criteria into our investment process. This allows us to uncover unethical practices within a company that may be going on under the surface and flag potential future financial risks.

U Ethical’s investment process ensures that all investment decisions are in keeping with our vision and that they promote careful financial stewardship.

Our vision
To improve our world through the power of purposeful investing.

Our values
— Authenticity: we do the right thing, not the easy thing.
— Progress: we are open-minded, innovative and future-focused.
— Impact: we strive for better investments and a better world.

Figure 10: Ethical investing process

Investable universe

Ethical screen

Fundamental screen

Research review and ethical verification

Portfolio construction

Removal of excluded activities and industries, as defined by our ethical investment policy
Minimum ESG ratings
Targeting companies with a high alignment to the UN Sustainable Development Goals

Based on financial criteria

A subset of the investable universe is subjected to rigorous financial and ethical qualitative analysis to select securities for the portfolio

Securities are weighted in the portfolio according to risk-adjusted return expectations
Our Ethical Advisory Panel

We wish to remain at the forefront of ethical investment practice, and to ensure our investment practices are subjected to the rigour of external expertise and analysis. To support these objectives, at the end of 2018 we established an Ethical Advisory Panel.

Amandine Denis
Head of national programs at ClimateWorks Australia, MSc, MBA
ClimateWorks Australia is an independent, research-based, non-profit organisation committed to catalysing reductions in greenhouse gas emissions in Australia. Amandine’s work includes helping governments and businesses develop pathways and strategies for net zero emissions and unblocking barriers to implementation.

Mark Zirnsak
Senior social justice advocate, BE (Chem) (Hons), PhD, GradDip (Theol)
Mark became director of the Uniting Church’s Justice and International Mission Unit in 2004. He is a member of the Victorian Responsible Gambling Ministerial Advisory Council, the Victorian Government Liquor Control Advisory Council, and the Attorney General’s National Roundtable on Slavery and Human Trafficking.

David Cousins AM Non-executive director
Georgina Laird Ethics and impact manager
James Cook Chief investment officer
Lindsay Mann Non-executive director
Mathew Browning Chief executive officer
Zarmeen Pavri Non-executive director
Negative screening

Exclusion principles
By thoroughly evaluating a company’s products, services and practices, we avoid investing in companies that:

- cause unacceptable damage to the natural environment
- infringe on human rights
- have unacceptable occupational health and safety practices
- support oppressive regimes
- cause or perpetuate injustice and suffering

Excluding the bad
Our negative ethical screen ensures the systematic removal of various industries and practices which are harmful to either the environment or society. In particular, the screen restricts investment in securities with a direct material (>5% revenue) exposure to excluded activities.

Update: We are in the process of reducing all direct fossil fuel exposures with the target of nil exposure by the end of the 2019.
Investing in positive outcomes

Seeking the good

U Ethical has a long history of investing for positive outcomes. Our negative screens ensure the removal of harmful industries and products from our investable universe, but we know that doesn’t mean all that is left is ‘positive’. We consciously seek out companies which help to eradicate poverty, protect the planet and build a peaceful and prosperous world.

This includes utilising the sustainable development goals as a framework to identify companies which have a positive impact on society and the planet. Through the use of both quantitative tools and qualitative research, we look for companies that contribute to the achievement of the goals.

The UN Sustainable Development Goals—a universal call to action

Arising out of the United Nations Conference on Sustainable Development in Rio de Janeiro, the Sustainable Development Goals (SDGs) were officially launched in 2015 with the purpose of creating a new global agenda for sustainable development.

The goals were developed by governments, but government action alone won’t be enough to achieve them. The United Nations has estimated that meeting the 17 SDGs will require global investment of between US$5 trillion and $7 trillion each year up to 2030. The private sector has a significant part to play.

The goals have provided a common language between the public and private sector in the conversation of sustainability.

The goals are applicable to all nations, and aim to cover the whole sustainable agenda: poverty, human development, the environment and social justice. With 17 ambitious goals, 169 underlying targets and a deadline of 2030, the goals have provided a common language between the public and private sector in the conversation of sustainability.
Our portfolios increasingly support the achievement of the UN Sustainable Development Goals. Through our analysis, we have identified across all portfolios that we have the greatest exposure to the following SDGs.

**CSL**
A top 5 holding in the U Ethical Australian Equities Portfolio, CSL is a global company focused on rare and serious diseases, as well as influenza vaccines. CSL’s Gardasil vaccine has helped protect >200 million people from cervical cancer in more than 130 countries. In 2018, more than 125 million people received CSL’s influenza vaccine.

**BINGO**
BINGO is a fully integrated recycling and resource management company that provides solutions across the entire waste management supply chain. In FY2018 the company recovered more than 223,000 tonnes of bricks and concrete. Bingo’s Minto facility achieved an annual recovery rate of 85% thereby helping divert waste from landfill.

**Cisco**
Cisco, an IT and networking company based in Silicon Valley, has launched various economic empowerment programs in partnership with Opportunity International. In 2018, the partnership resulted in the creation of 2 million new jobs and boosted financial inclusion for 11 million people. And since launch, it has resulted in:
- 17 million lives positively impacted
- a 58% increase in farmer production
- a 64% increase in girls’ literacy
- a 32% increase in girls’ numeracy.

**World’s Most Ethical Companies**
The Ethisphere Institute publishes its list of the World’s Most Ethical Companies each year. The list commends global companies stepping up to advance society and addressing issues like diversity and inclusion, supporting the rule of law, and advancing human rights. 18% of our international equities portfolio is invested in companies named on the list over the past two years.
Case study: Vestas Wind Systems

The Danish company, Vestas Wind Systems, designs, manufactures, installs and services wind turbines and is the global leader in wind installations with 102 gigawatts (GW) in place across 80 countries. It recently passed the 1GW milestone in Australia which is helping multiple states meet their renewable energy targets.

Its turbines are in demand because wind power is the cheapest source of large-scale renewable energy. New wind projects, even those backed by batteries, are now cheaper than new coal generation and are expected to be cheaper even than existing coal generation within a couple of years. This is already starting to pull down the wholesale price of power.

The global outlook for the wind industry is encouraging. Peak body for the sector, Global Wind Energy Council, expects over 300 GW of new capacity to be added over the next five years. That is more than 55 GW of new installations each year until 20231.

To help meet the demand, Vestas announced in February 2019 that it would establish a facility for assembling turbine components in Geelong, where it can tap into the availability of skilled former auto workers and support the growth of an industry with a current workforce of 11,200.

Another game-changing development is the coupling of wind farms with energy storage technologies to circumvent wind’s inherent inability to meet demand on calm days.

In June, Vestas bought into the massive wind and pumped hydro Walcha project in NSW’s New England region. At 4GW, it will be the biggest renewables project on the Australian grid.

While the company appeals to us for its long-term returns potential, we also have a strong ethical justification for investing. Vestas is focusing on six of the SDGs including Goal 7, ‘Affordable and Clean Energy’, and Goal 13, ‘Climate Action’.

---

We acknowledge that ethical decisions are often complex and require careful consideration of both positive and negative factors.

Effective corporate engagement is beneficial to both companies and shareholders. It provides the companies we invest in with a way to understand the topics that are material for investors. At the same time, it allows us to better understand companies’ long-term strategies while advocating for positive change where necessary.

We foster a dynamic approach, seeking to engage with companies wherever we feel it is necessary. Occasionally, our research uncovers companies in our portfolio that are involved in unacceptable activities or practices. In such instances, our first preference is to initiate a process of direct engagement as a means of advocating for positive change consistent with both community expectations and long-term investment value. When engagement doesn’t deliver satisfactory outcomes, we look to exercise our right to proxy voting or, indeed, to divest.

Throughout the year, we engaged with various companies on issues such as animal testing, reporting on sustainability, labour management practices and product safety.

**Voting**

Active ownership is integral to our long-term investment approach. At U Ethical, we vote all proxy resolutions at all shareholder meetings for the shares held within our portfolios. We believe that effective corporate governance structures help a company to succeed, and in turn, deliver sustainable returns.

Throughout the period, our votes were cast at 70 meetings, for both domestic and international holdings. Across 531 items, we voted against management on 159 items (30%), including issues such as remuneration and board of director elections.

**Figure 11: Voting summary**

- **372 Number of votes with management**
- **159 Number of votes against management**

We also voted on various shareholder resolutions calling for better reporting from companies on topics such as the gender pay gap, modern slavery and diversity policies.
Case study: Ban on credit card use for gambling

Over the past three years, we have pushed the largest Australian banks to address the scourge of online gambling. We have partnered with a broad coalition of investors, the Responsible Investment Association of Australasia, social justice groups and consumer activists, who believe that allowing online gambling on credit cards is irresponsible. If someone can’t use their credit card for a poker machine, surely they shouldn’t be able to use one for online gambling?

We don’t invest in gambling companies like Tabcorp and Aristocrat Leisure. We do have shares in the major banks and believe they shouldn’t supply credit for gambling.

The problem of allowing credit cards to be used for gambling is compounded because they are typically recorded as cash advances, where interest charges begin immediately at rates of more than 20 per cent.

Our engagement campaign with the banks led to improvements this year. This included hardship programs and monitoring of transactions to identify problem gambling. CBA, NAB and Westpac allow credit cardholders to request blocks on gambling transactions, while ANZ has a ‘speed bump’ which puts a block on the card when 85 per cent of its limit is spent or a certain number of transactions are made. The question still needs to be asked: do these measures go far enough?

While significant progress has been made, we will continue to use our influence to highlight the link between access to credit and problem gambling.

Case study: Reining in the social media giants

During the 2019 financial year, U Ethical joined a New Zealand-led global collaboration of investors to engage with Facebook and other social media companies in the wake of the tragic Christchurch mosque shootings. To date, the campaign includes 85 investors from New Zealand, Australia and Europe with AU$12.1 trillion (NZ$13 trillion) in assets under management.

The objective of the engagement is for the social media majors (Alphabet, Facebook and Twitter) to strengthen controls to prevent the live-streaming and distribution of objectionable content.

Despite the financial clout of the investors, we realise this will be a long battle, given the size and profitability of the companies.

However, the prime ministers of New Zealand and France have led a joint pledge called the ‘Christchurch Call’ to eliminate terrorist and violent extremist content online.

The social media giants have begun taking tentative steps in the right direction but have much further to go.

U Ethical does not hold shares in Facebook but has a stake in Alphabet (which owns Google which owns YouTube). Our ethical investment policy commits us to evaluating companies to ensure they don’t ‘cause or perpetuate injustice and suffering’.

On this issue, U Ethical has more leverage with Alphabet/Google by holding on to its shares and lending its name to the global engagement campaign than by divesting.
November 2018 saw the passage into law of the Modern Slavery Act. This was the culmination of many years of advocacy with our partners, the Responsible Investment Association of Australasia, and the Uniting Church’s Justice and International Mission unit. Together, we have called for the introduction of modern slavery legislation in Australia and helped lobby federal MPs to secure its passage.

As a result, reporting of modern slavery risks in cross-border supply chains is now mandatory for Australia’s largest organisations.

While the act does not include the appointment of an independent commissioner nor financial penalties, relevant organisations will be required to publish annual modern slavery statements against six mandated criteria. This will improve accountability, transparency and comparability, and will highlight the industries and organisations most likely to be enabling modern slavery.

In the end, the law is a compromise. It does not include civil penalties for companies that do not comply with the reporting requirements, but the Minister can demand explanations from companies about why they failed to comply.

While not perfect, the new act is a good start and will provide greater visibility of supply chains which are often opaque or invisible.

In addition to advocating for legislation, we have dealt directly with companies within our portfolios on the issue. Over the past year, for example, we have engaged with Wesfarmers on improvements to its Ethical Sourcing Charter and a review of its supply chain processes.

The new act is a good start and will provide greater visibility of supply chains.
U Ethical is an autonomous social enterprise of the Uniting Church and governed by an independent board. U Ethical’s clients include a cross-section of investors who see ethical investing as a means of aligning their investments with their values.

Although investors hold diverse viewpoints, they are unified through a strong commitment to social and environmental justice. This reflects U Ethical’s vision of improving our world through the power of purposeful investing.

The Uniting Church’s engagement with the broader community is deep and wide. For example, UnitingCare Australia is one of Australia’s leading community services networks. It employs 50,000 people, enjoys the support of 30,000 volunteers and operates in 1,600 locations. With a particular commitment to vulnerable individuals and communities, it helps thousands of Australians every day.

U Ethical’s annual community contribution, financed from our operating surplus, takes advantage of the deep and wide reach of the Uniting Church funding part of its community program budget in Victoria and Tasmania.

In the financial year ended June 2019, the community contribution totalled $3.1m and was channelled into programs covering social justice advocacy, education, intercultural capacity building, disability inclusion, and prison chaplaincy, as well as support services. Each of these is a tangible expression of the progressive, contemporary values to which U Ethical and its clients subscribe.

---

1 As at June 30 2019.
2 In 2018, our financial year end changed from 31 December to 30 June. Therefore, the figure for 2018 covers a six-month transition period.
men’s shed and a Catch-up Café for men to talk through issues.

English classes are offered for newly arrived migrants and asylum-seekers, and a series of community lunches enhance understanding of different cultures and promote social cohesion.

A Music Together session in progress.

Case study: Supporting families

U Ethical has contributed to funding Music Together, an innovative music therapy program in Springvale, Victoria. It provides music therapy to parents and infants in families experiencing behavioural problems, drug abuse and mental health issues such as anxiety, who may be isolated or requiring support.

Music Together is the latest in a range of local community investments in Springvale, including the development of a community centre that has become the hub for a range of programs including a multicultural

An innovative music therapy program.
Many adults with disabilities in Australia are cared for by elderly parents, and these families face the challenge of providing suitable housing for when the parents can no longer care for their disabled family member.

With a shortage of suitable housing and the difficulty of navigating government agencies, it is not enough simply to build more housing; disabled adults need greater support.

In Victoria, U Ethical has contributed to the provision of a carer support worker, Samantha Menzies, who has a crucial role to play in helping families on the Mornington Peninsula. She guides them to find the help and care that their loved ones need, and helps parents (many of them elderly) navigate housing and care options for their children.
Section 3.
The people behind our impact
The board of directors sets a high standard for the governance of U Ethical. The structure, composition and diversity of the board is essential to its effectiveness. With the exception of the chief executive officer, all board members are independent non-executive directors who may not serve for a period greater than 10 consecutive years. The board has the ultimate oversight of our sustainability practices and ethical investment policy. It includes three committees:

- Audit, risk and compliance
- Investment
- People and nominations.

Investors trust us to manage their money. In return, we aspire to the highest levels of good governance.

The board and each of the committees are governed by a charter. The board and each committee undertakes an annual review to enable directors to reflect on their performance. Directors who are to be re-elected are peer reviewed every three years. All directors, with the exception of recent appointments, have been reviewed in the last three years.

Gayle Wilson retired on 30 June 2018, and Katherine Allchin on 31 December 2018. New appointments include Zarmeen Pavri, Deborah Ralston and Kerrie Williams. With these changes, the board reached its full complement of 10 members and restored equal gender representation.
David Cousins AM
Non-executive director February 2016
Chair September 2017 PhD, M Ec, BEc (Hons), DipEd
Committees Investment; People and nominations (Chair)
David is an economist with specialisations in competition, consumer and prices policy, and regulation. He has amassed over 35 years’ experience in high-level roles in the public sector, complemented by significant experience consulting to the private sector.

David Watson
Non-executive director February 2016, BCom, FCA, GAICD
Committees Audit, risk and compliance (Chair)
David has significant experience advising c-suites, boards of directors and due diligence committees on compliance, risk management, governance, complex accounting issues and financial reporting. In 2013, after 33 years of service, he retired from Deloitte Touche Tohmatsu LLC where he was an audit partner.

Deborah Ralston
Non-executive director June 2019, PhD, M Ec, FAICD, FCPA
Committees Audit, risk and compliance
Deborah has over 25 years’ experience as a non-executive director in the commercial and public sectors. Recognised as a thought leader in financial services, she has particular interests in financial services regulation, superannuation, innovation and digital technologies and has published widely in these areas.

Fiona Pearse
Non-executive director October 2017, BEc, MBA, FCPA, FAICD
Committees Audit, risk and compliance; People and nominations
Fiona has extensive commercial, financial and tax expertise gained from a broad career spanning almost two decades at leading ASX-listed, global companies BHP and BlueScope Steel. She has served as a non-executive director of City West Water and as an advisory board member to a Stone & Chalk regtech.
Kerrie Williams
Non-executive director June 2019, BSc, MBA, FFin, GAICD
Committees Investment; People and nominations
Kerrie is an experienced executive with over 30 years’ experience in senior roles in the financial services and retail sectors, focused on business strategy and operational leadership. She has been a professional adviser to institutional investors on investments, risk and governance, and has extensive knowledge of the superannuation and fund management sectors.

Jane Bell
Non-executive director September 2014, BEc, LLB, LLM (London), FAICD
Committees Audit, risk and compliance; People and nominations
Jane is a banking and finance lawyer with 30 years’ experience in senior roles in leading law firms, banks, financial services and corporate treasury operations across Australia, the UK, Canada and the USA. She is a non-executive director of Monash Health and Jessie McPherson Private Hospital.

Lindsay Mann
Non-executive director September 2014, BA, FIAA, GAICD
Committees Investment (Chair)
Lindsay is a Fellow of the Actuaries Institute and has over 45 years’ financial services experience. He has held a number of senior executive positions in funds management, wealth management and life insurance across Asia, Australia and New Zealand.

Mathew Browning
Executive director and chief executive officer February 2018
BSc, MRICS, FFin
Mathew is the former general manager of The Myer Family Company (MFCo). He has over 25 years’ executive experience in financial, property and professional services across Australia, Asia and the UK. At MFCo, his prior roles included head of investment and chief operating officer.
Terry McCredden  
**Non-executive director** December 2013, BCom (Hons)  
**Committees** Investment; People and nominations  
Terry brings 30 years’ experience in the Australian superannuation industry, alongside a deep understanding of the issues facing the sector. He is a former CEO of UniSuper and Telstra Super and has now retired from full-time executive roles.

Zarmeen Pavri  
**Non-executive director** February 2019, BCom, ACA  
**Committees** Audit, risk and compliance; Investment  
Zarmeen brings over 24 years’ experience in the funds management, impact investing and international development sectors. Her multidimensional background ranges from strategy development, investment, and risk management through to institutional sales and business development.

The structure, composition and diversity of the board is essential to its effectiveness.
Management team

Anna Hong
Portfolio manager, BSc, MFin, CADS
“Progress has been forged by people who’ve come before us and made choices to have a positive impact. To make the future sustainable, we need to take more action now. This common purpose at U Ethical is what makes coming to work enjoyable.”

Danni Wu
Investment operations manager, BA, DipFin, Cert IV HR
“I am proud to support our highly experienced operations team in maintaining and improving on the high standards of service our clients rely on. U Ethical’s approach is applied daily in how we respond to our clients’ needs for a professional service they can trust to manage their accounts.”

David Brennan
Director – distribution, BBusLaw, SnrExec MBA (Melb), DipIntlMgt, ExecEd (Harv), F Fin, GAICD
“I am proud to work for a social enterprise which was a pioneer of ethical investing in Australia and has grown steadily to become one of the largest ethical investment managers in Australia.”

Georgina Laird
Ethics and impact manager, BSc
“Our investments are only as good as the world we invest in. This is why it is imperative that we make the right decisions today, to ensure a better tomorrow for future generations. It’s this common purpose that makes working at U Ethical enjoyable.”

James Cook
Chief investment officer, BEc
“I am proud and excited to work within U Ethical which acts as an active voice in the sector for ethical investment practices while supporting community, social justice and environmental projects.”
James Davidson
Director – operations, Bch Teaching, Dip Financial Services
“Conscious of the size and potential influence the investment industry can have across the spectrum of ethical, social and environmental elements of wellbeing, I see it as mandatory that we do our best to ensure our organisational and personal impacts are strong.”

Jon Fernie
Head of equities, B.Com, CFA, MBA
“Ethical investing helps make the world a better place for future generations, which is important to me. We avoid companies that are harmful to society and the environment, as well as targeting those that have a positive impact.”

Juin Ng
Risk and compliance manager, LLB
“Ethical investment means building wealth in a sustainable manner. U Ethical’s philosophy enables our clients to do just that: influence positive change through investment.”

Leeanne Lukaitis
Director – finance / company secretary, ASA, BBus
“I am proud to be part of a business that has a positive impact for investors and our community.”

Sumita Theagesan
Relationship manager, BComm, BA, DipFinMkts
“U Ethical has a long history of pioneering investment stewardship in Australia, as manager of Australia’s first ethical funds. I am privileged to help grow our impact as it aligns strongly with my values.”

Tim Ratcliff
Marketing manager, BA, BComm
“The biggest surprise for me when joining U Ethical was the fact that there doesn’t have to be a trade-off between investing ethically and generating financial returns. But the more you think about it, the more it makes sense.”
Our employee value proposition

An engaged and happy team is critical for the success of our business. Throughout FY2019 we sought expert advice to help develop a new employee value proposition (EVP). Our new EVP highlights to existing team members and potential hires what makes us distinctive and provides alignment to our core values—authenticity, progress, impact.

The EVP is centred on four areas:

— Job experience: We are a highly professional social enterprise working to support those who need it most.
— Benefits: We help our people to flourish through innovative benefits.
— Recognition: We seek feedback from our clients and each other to fulfil our purpose.
— Remuneration: We reward our people appropriately for the market in which we operate.

The creation of our EVP led the management team to develop new policies governing:

— Flexible work
— Wellbeing
— Volunteering, and
— Professional development.

Formally articulating our policies in each of these areas will help improve our employee experience and help U Ethical become an employer of choice.

Education, training and development

We actively encourage all team members to improve their professional knowledge and expertise. As a responsible entity and Australian Financial Service Licence holder, U Ethical requires relevant team members to demonstrate the competencies required to provide general financial product advice and to ensure our products are operated in a compliant manner.

This year we increased team members qualified under Regulatory Guide 146 to 15, ensuring ongoing professional management of products and clients.

Our team also completed training in areas ranging from new work practices to presentation skills to cybersecurity and digital transformation in financial services.

We support our team in maintaining professional memberships with industry bodies and in pursuing relevant professional development opportunities.

For instance, climate change is a growing concern to our organisation and to many team members. One employee was recently selected to be trained by Al Gore as a Climate Reality Leader and is now actively engaging business and community leaders on this important issue.
An engaged and happy team is critical for the success of our business.

**Employee engagement survey**

Our employee engagement survey is an important part of evaluating the success of our employee value proposition. It gives us the opportunity to understand how we are progressing as an organisation and what we can do better.

Historically, these surveys have been undertaken internally. In 2019, the survey was conducted by a specialist research firm thereby setting an independent and objective benchmark for measuring engagement trends. The results portal also enables us to compare ourselves with others in the same industry at both a holistic and a granular level across a range of engagement factors.

The survey response rate was 100% and our overall engagement score was 66%. This puts us just shy of the top quartile compared to the industry. However, an analysis of the engagement factors shows there is still plenty of room for improvement in a range of areas. The detailed results have been shared with the whole team as we work collectively on addressing the drivers of engagement.

**Table 3: Training**

<table>
<thead>
<tr>
<th></th>
<th>2019¹</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>External training</td>
<td>517²</td>
<td>305</td>
<td>355</td>
<td>167</td>
<td>244</td>
</tr>
<tr>
<td>Internal training</td>
<td>27</td>
<td>23</td>
<td>23</td>
<td>21</td>
<td>270</td>
</tr>
<tr>
<td>Total training hours</td>
<td>544</td>
<td>328</td>
<td>378</td>
<td>188</td>
<td>514</td>
</tr>
</tbody>
</table>

¹ Includes calendar year 2018.
² Excludes formal study programs.
Diversity

We believe diversity and inclusion are at the core of creating a better business and better decision-making. We champion diversity on a number of dimensions including gender, age and ethnicity.

Our Diversity and Inclusion Policy sets out targets for gender representation. In FY2019, gender parity across the management team and the broader business was achieved.

We also actively seek a diverse range of backgrounds, with 10 nationalities represented amongst our team.

Table 4: Gender balance

<table>
<thead>
<tr>
<th>Total staff</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>6 50</td>
<td>6 50</td>
<td>6 75</td>
<td>2 25</td>
<td>5 71</td>
<td>2 29</td>
<td>3 75</td>
<td>1 25</td>
<td>3 75</td>
<td>1 25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-management</td>
<td>5 45</td>
<td>6 55</td>
<td>6 46</td>
<td>7 54</td>
<td>7 50</td>
<td>7 50</td>
<td>7 54</td>
<td>6 46</td>
<td>7 50</td>
<td>7 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>21</td>
<td>21</td>
<td>17</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial years ended 31 December</td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>5 71</td>
<td>2 29</td>
<td>3 75</td>
<td>1 25</td>
<td>3 75</td>
<td>1 25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-management</td>
<td>7 50</td>
<td>7 50</td>
<td>7 54</td>
<td>6 46</td>
<td>7 50</td>
<td>7 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>21</td>
<td>17</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total staff: Full time

| Management | 6 50 | 6 50 | 6 75 | 2 25 | 5 71 | 2 29 | 3 75 | 1 25 | 3 75 | 1 25 |
| Non-management | 4 44 | 5 56 | 5 45 | 6 55 | 4 44 | 5 56 | 6 60 | 4 40 | 7 54 | 6 46 |
| Total | 21 | 19 | 16 | 14 | 17 |

Total staff: Part time

| Management | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 |
| Non-management | 1 50 | 1 50 | 1 50 | 1 50 | 3 60 | 2 40 | 1 33 | 2 67 | 0 0 | 1 100 |
| Total | 2 | 2 | 5 | 3 | 1 |

Gender diversity

Board of directors

If retirements and resignations cause membership to fall below 40% for male or female membership, the board will rectify the situation within 12 months. The board has a delegated responsibility to the people and nominations committee to lead this response.

Workplace

The board supports working towards gender equality at both management and non-management levels, noting that this may create practical difficulties given the scale of the organisation. Achieving and maintaining this representation is the responsibility of the CEO, with oversight by the people and nominations committee.
Table 5: Salary information by gender

<table>
<thead>
<tr>
<th>Salary range</th>
<th>Financial years ended 30 June</th>
<th>Financial years ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>$0–$50,000</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>$50,001–$100,000</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>$100,001–$150,000</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>$150,001–$200,000</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>$200,001–$250,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>$250,001–$300,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>$300,001–$350,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Figure 14: Gender representation targets

<table>
<thead>
<tr>
<th>Board &amp; workplace</th>
<th>40% Male membership</th>
<th>40% Female membership</th>
<th>20% Either gender</th>
</tr>
</thead>
</table>

Employee turnover

Our team is integral to delivering on our five-year strategy and to this end we have sought out high-performing individuals with the experience to deliver on our goals. FY2019 was a year of significant change, with the departure of eight employees and the welcoming of 10 team members.

Amanda Wilkinson Executive assistant
Anna Hong Portfolio manager
Ciaran McCormack Marketing and communications officer
Danni Wu Investment operations manager
Diarmuid Broderick Associate relationship officer
Georgina Laird Ethics and impact manager
Juin Ng Risk and compliance manager
Sabina Ahmed Investment analyst – international equities
Sumita Theagesan Relationship manager
Tim Ratcliff Marketing manager

1 This band consists of non-executive directors only, whose average remuneration in FY2019 was $13,051.
Section 4. Stakeholder engagement and financial performance
Our clients

Client survey

As core stakeholders, it is important that we consult regularly with our clients as their opinions are key to shaping our business strategy and products. We engage with clients through our online and print communications, events and ad hoc correspondence. Another key engagement tool is our annual survey.

To the right are some of the key findings from the 2019 survey.

### Table 6: Client make up

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale</td>
<td>564</td>
<td>567</td>
</tr>
<tr>
<td>Retail</td>
<td>4,046</td>
<td>4,204</td>
</tr>
<tr>
<td>Total</td>
<td>4,610</td>
<td>4,771</td>
</tr>
</tbody>
</table>

### Figure 15: Wholesale clients

- 41% Not-for-profits
- 25% Health
- 18% Community groups
- 10% Social services
- 3% Education
- 3% Superannuation

Client sectors
Wholesale

Figure 16: I would recommend U Ethical to similar organisations

80% Agree
13% Neutral
7% Disagree

Figure 17: Which of our positive screens (i.e. sectors we proactively invest in) are important to you?

- Clean energy
- Sustainable agriculture
- Recycling and reuse
- Employment
- Community and education services
- Health care

Importance (%)

Figure 18: Which of the negative screens (i.e. practices we avoid) are important to you?

- Thermal coal
- Unconventional oil and gas
- Animal cruelty
- Gambling
- Predatory lending
- Tobacco manufacturing
- Armaments
- Uranium for non-medical use
- Pornography and adult entertainment
- Alcohol production

Importance (%)

Retail

Figure 19: I would recommend U Ethical to others

84% Agree
12% Neutral
4% Disagree

Figure 20: Which of our positive screens (i.e. sectors we proactively invest in) are important to you?

- Clean energy
- Sustainable agriculture
- Recycling and reuse
- Employment
- Community and education services
- Health care

Importance (%)

Figure 21: Which of the negative screens (i.e. practices we avoid) are important to you?

- Thermal coal
- Unconventional oil and gas
- Animal cruelty
- Gambling
- Predatory lending
- Tobacco manufacturing
- Armaments
- Uranium for non-medical use
- Pornography and adult entertainment
- Alcohol production

Importance (%)

47
U Ethical was delighted to host the president of the Australian Medical Association (AMA), Dr Tony Bartone, at a forum on 18 June where he outlined what the federal election result means for the health sector.

The event drew over 80 attendees from across the health sector, with interests ranging from the climate crisis to aged care, mental health, private health and primary care.

Dr Bartone delved into the pre-election priority issues put forward by the AMA and reiterated its call for the federal government to address:

— A future-proofed Medicare
— Climate change and health
— Aged care
— Supporting GP training
— Public hospitals
— Private health.

Dr Bartone acknowledged that time limitations meant he couldn’t address all the priority issues but the common thread is that the sector is severely underfunded. Therefore, the AMA will continue to work closely with the federal Minister for Health, Greg Hunt MP, to secure “increased funding so the sector can be better tomorrow than it is today”.

In thanking Dr Bartone, CEO Mathew Browning underscored the alignment between AMA’s advocacy work and U Ethical’s values: “We invest in healthcare because it is part of striving for a better world.”

In early August 2018, we hosted our annual investor briefing, with almost 200 people venturing out into the Melbourne winter to attend.

The day included two sessions: a breakfast networking event and a lunch briefing for retail investors. The breakfast event included a detailed presentation from MinterEllison’s special counsel, Sarah Barker, on the changes and impact of climate change legislation. Ms Barker said the climate change discussion had moved beyond debate of its existence to the financial implications for companies of inaction.

With recent changes to legislation and to reporting requirements, boards now need to take climate change into account and develop risk strategies around its impacts.

Ms Barker believes awareness of the financial implications of climate change is “going to really take off in the next few months here in Australia”.

The lunch session included a special presentation from Mindy Leow, head of community building at B Lab Australia and New Zealand. Ms Leow took the audience through what it means to invest with a B Corporation. U Ethical was certified as a B Corp in May 2018.

“Even though consumers want to support good companies, we find that it can be really difficult sometimes to identify the good companies from those doing good marketing,” Ms Leow said. “B Corp certification sets a high standard globally for companies to prove that they are walking the talk.”
Financial performance

U Ethical is an investment manager and a responsible entity. U Ethical receives a management fee which funds:

— the operating costs of the business
— our annual community contribution
— a capital base to fund future investment in the business
— regulatory capital requirements.

This financial year, total income was $9.4m. After deducting expenses of $6.4m, the operating surplus was $3.0m. This funded the majority of U Ethical’s community contribution of $3.1m. The balance of $0.1m was funded from reserves which stood at $3.4m at year end.

Table 7: Financial performance

<table>
<thead>
<tr>
<th>Financial years ended 30 June</th>
<th>Financial years ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Total income</td>
<td>$9,370</td>
</tr>
<tr>
<td>Direct expenses attributable to:</td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>(3,415)</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(2,950)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>(6,365)</td>
</tr>
<tr>
<td>Operating surplus</td>
<td>3,005</td>
</tr>
<tr>
<td>Community contribution</td>
<td>(3,100)</td>
</tr>
<tr>
<td>Net surplus/(deficit) after community contribution</td>
<td>(95)</td>
</tr>
<tr>
<td>Capital reserve at beginning of period</td>
<td>3,489</td>
</tr>
<tr>
<td>Capital reserve at end of period</td>
<td>3,394</td>
</tr>
</tbody>
</table>

¹ In 2018, U Ethical’s financial year end was changed from 31 December to 30 June. Therefore, figures for 2018 cover a six-month transition period.
## How we do business

<table>
<thead>
<tr>
<th>Topics</th>
<th>Description</th>
<th>Our management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical investment</td>
<td>Actively seeking positive outcomes through targeting SDG alignment. Minimising negative environmental and social impact through excluding various practices and industries, and integrated ESG analysis</td>
<td>Statement from the chief executive officer (Pg. 5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our ethical approach (Pg. 18)</td>
</tr>
<tr>
<td>Values alignment</td>
<td>Ensuring our portfolios are aligned with the values of our various stakeholders</td>
<td>Our products (Pg. 12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our ethical approach (Pg. 18)</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>Actively engaging with and managing key stakeholders, as well as seeking opportunities to lead and influence the sector on key issues</td>
<td>Our Ethical Advisory Panel (Pg. 21)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Engagement and advocacy (Pg. 26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The people behind our impact (Pg. 32)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our clients (Pg. 46)</td>
</tr>
<tr>
<td>Transparency</td>
<td>Ensuring a high level of transparency and disclosure to stakeholders around business activities and performance</td>
<td>Our products (Pg. 12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The people behind our impact (Pg. 32)</td>
</tr>
<tr>
<td>Corporate ethics</td>
<td>Conducting business in a way that upholds the values and principles of the organisation.</td>
<td>Our ethical approach (Pg. 18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.ethical.com/components">www.ethical.com/components</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.ethical.com/about-us/corporate-governance">www.ethical.com/about-us/corporate-governance</a></td>
</tr>
<tr>
<td>Governance</td>
<td>Clear policies, processes and procedures to manage activities within the business</td>
<td>The people behind our impact (Pg. 32)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.ethical.com/about-us/corporate-governance">www.ethical.com/about-us/corporate-governance</a></td>
</tr>
</tbody>
</table>

## Our impact

<table>
<thead>
<tr>
<th>Topics</th>
<th>Description</th>
<th>Our management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community contribution</td>
<td>Our annual surplus is invested in a range of community programs</td>
<td>Our community contribution (Pg. 29)</td>
</tr>
<tr>
<td>Engagement and advocacy</td>
<td>Generating a positive impact through our ethical investment policy and partnerships</td>
<td>Statement from the chief executive officer (Pg. 5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our ethical approach (Pg. 18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry representation (Pg. 56)</td>
</tr>
</tbody>
</table>
### Workforce

<table>
<thead>
<tr>
<th>Topics</th>
<th>Description</th>
<th>Our management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement</td>
<td>Ensuring workplace culture, working conditions and opportunities meet employee needs and expectations</td>
<td>Our ethical approach (Pg. 18) The people behind our impact (Pg. 32)</td>
</tr>
<tr>
<td>Remuneration, benefits and retention</td>
<td>Ensuring competitive remuneration and benefits to attract and retain talent</td>
<td>Our ethical approach (Pg. 18) The people behind our impact (Pg. 32)</td>
</tr>
<tr>
<td>Professional development</td>
<td>Providing relevant and meaningful training, and development opportunities for team members</td>
<td>Our ethical approach (Pg. 18) Our people (Pg. 40) <a href="http://www.uethical.com/uploads/resources/Voting-Policy-U-Ethical.pdf">www.uethical.com/uploads/resources/Voting-Policy-U-Ethical.pdf</a></td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>Providing equal opportunities, combating discrimination and fostering a culture of inclusion and diversity</td>
<td>Engagement and advocacy (Pg. 26) Our people (Pg. 40)</td>
</tr>
</tbody>
</table>

### Fit-for-purpose products

<table>
<thead>
<tr>
<th>Topics</th>
<th>Description</th>
<th>Our management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development</td>
<td>Product development and enhancement to ensure values aligned, fit-for-purpose products are available to clients</td>
<td>Our products (Pg. 12)</td>
</tr>
<tr>
<td>Investment performance</td>
<td>Maintain and enhance overall investment performance, including financial and ESG performance</td>
<td>Our ethical approach (Pg. 18)</td>
</tr>
<tr>
<td>Positive impact portfolio</td>
<td>Targeting companies which contribute to the achievement of the UN Sustainable Development Goals</td>
<td>Statement from the chief executive officer (Pg. 5) Investing for positive outcomes (Pg. 23)</td>
</tr>
<tr>
<td>Maintaining returns on investments</td>
<td>Generating returns on investments that meet client expectations under fluid and challenging conditions</td>
<td>Investment performance (Pg. 10) Ethical investment policy (Pg. 20) Our people (Pg. 40)</td>
</tr>
</tbody>
</table>

### Climate preparedness

<table>
<thead>
<tr>
<th>Topics</th>
<th>Description</th>
<th>Our management approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate preparedness</td>
<td>Actions taken to limit the magnitude and/or rate of long-term climate change, primarily through a reduction of both direct and indirect greenhouse gas emissions (GHGs), including the carbon footprint of investments</td>
<td>Our ethical approach (Pg. 18) Our people (Pg. 40) Client events (Pg. 48)</td>
</tr>
</tbody>
</table>
Global Reporting Initiative (GRI) index

Our reporting is guided by the GRI Standards for sustainability reporting. We seek to apply the GRI principles, and we reference the GRI indicators in our performance reporting.

<table>
<thead>
<tr>
<th>GRI Standard Number</th>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 102</td>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>4, 5</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-15</td>
<td>Key impacts, risks, and opportunities</td>
<td>20 - 24, 26, 28</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-1</td>
<td>Name of the organization</td>
<td>U Ethical</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>6, 12, 29</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Back cover</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-4</td>
<td>Location of operations</td>
<td>Back cover</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-5</td>
<td>Ownership and legal form</td>
<td>56</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-6</td>
<td>Markets served</td>
<td>56</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-7</td>
<td>Scale of the organization</td>
<td>12 - 15, 43, 49</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>35 - 43</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-12</td>
<td>External initiatives</td>
<td>56</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-13</td>
<td>Membership of associations</td>
<td>56</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-46</td>
<td>Defining report content and topic boundaries</td>
<td>16, 17</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-47</td>
<td>List of material topics</td>
<td>16, 17</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-49</td>
<td>Changes in reporting</td>
<td>29, 41, 49</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>26 - 31, 41, 46, 47</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>16, 17</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>41, 46, 47</td>
</tr>
<tr>
<td>GRI Standard Number</td>
<td>Disclosure Number</td>
<td>Disclosure Title</td>
<td>Page</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>16, 17, 46, 47</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-50</td>
<td>Reporting period</td>
<td>6, 7, 49</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-51</td>
<td>Date of most recent report</td>
<td>49</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-52</td>
<td>Reporting cycle</td>
<td>49</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td>Back cover</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>50</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-55</td>
<td>GRI content index</td>
<td>50 - 55</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-18</td>
<td>Governance structure</td>
<td>34 - 43</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-20</td>
<td>Executive-level responsibility for economic, environmental, and social topics</td>
<td>34 - 37</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-21</td>
<td>Consulting stakeholders on economic, environmental, and social topics</td>
<td>21, 36, 37, 47, 48</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
<td>34 - 37</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-23</td>
<td>Chair of the highest governance body</td>
<td>4, 35</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-24</td>
<td>Nominating and selecting the highest governance body</td>
<td>34</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-26</td>
<td>Role of highest governance body in setting purpose, values, and strategy</td>
<td>34 - 37</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-27</td>
<td>Collective knowledge of highest governance body</td>
<td>34 - 37</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-28</td>
<td>Evaluating the highest governance body’s performance</td>
<td>34, 47</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-29</td>
<td>Identifying and managing economic, environmental, and social impacts</td>
<td>20 - 24</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-30</td>
<td>Effectiveness of risk management processes</td>
<td>34 - 37</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-31</td>
<td>Review of economic, environmental, and social topics</td>
<td>21, 34</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-33</td>
<td>Communicating critical concerns</td>
<td>Visit our website — Compliance and Legal</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-35</td>
<td>Remuneration policies</td>
<td>43</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td>2, 4, 5, 20 - 24, 34, 40</td>
</tr>
<tr>
<td>GRI 102</td>
<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
<td>Visit our website — Compliance and Legal</td>
</tr>
<tr>
<td>GRI Standard Number</td>
<td>Disclosure Number</td>
<td>Disclosure Title</td>
<td>Page</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>-----------------</td>
<td>------</td>
</tr>
<tr>
<td>GRI 103</td>
<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>50</td>
</tr>
<tr>
<td>GRI 103</td>
<td>103-2</td>
<td>The management approach and its components</td>
<td>50</td>
</tr>
<tr>
<td>GRI 103</td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>We are continually identifying opportunities to improve our management approach</td>
</tr>
</tbody>
</table>

**Specific standard disclosures**

| GRI 201             | 201-1             | Direct economic value generated and distributed | 40, 43, 49 |
| GRI 201             | 201-2             | Financial implications and other risks and opportunities due to climate change | 20 - 25 |
| GRI 302             | 302-5             | Reductions in energy requirements of products and services | 20 - 24 |
| GRI 401             | 401-1             | New employee hires and employee turnover | 43 |
| GRI 403             | 403-6             | Promotion of worker health | 40 |
| GRI 404             | 404-1             | Average hours of training per year per employee | 41 |
| GRI 404             | 404-2             | Programs for upgrading employee skills and transition assistance programs | 41 |
| GRI 405             | 405-1             | Diversity of governance bodies and employees | 34 - 43 |
| GRI 405             | 405-2             | Ratio of basic salary and remuneration of women to men | 43 |
| GRI 413             | 413-1             | Operations with local community engagement, impact assessments, and development programs | 29 - 31 |
| G4 FS               | FS6               | Percentage of the portfolio for business lines by specific region, size (e.g. micro/sme/large) and by sector | 10 - 15 |
| G4 FS               | FS10              | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues | 26 - 28 |
| G4 FS               | FS11              | Percentage of assets subject to positive and negative environmental or social screening | 20 |
Proud to be a B Corp

We are one of the few investment businesses in Australia to be certified as a B Corporation. B Corporations are businesses that meet the highest standards of social and environmental performance, public transparency, and legal accountability to balance profit and purpose. We are proud to be amongst the top 10% of B Corps globally in the Overall and Community categories.

Industry representation

We participate as a socially responsible investor through membership of industry bodies including:

- Responsible Investment Association Australasia (RIAA)
  RIAA’s Human Rights Working Group
  RIAA’s Corporate Engagement Working Group
- United Nations Principles for Responsible Investment (UNPRI)
- Global Reporting Initiative (GRI)
- Banking and Finance Oath Limited.

Organisation profile

Uniting Ethical Investors Limited (ABN: 46 102 469 821; AFSL: 247147) trading as U Ethical is a social enterprise of the Uniting Church in Australia (Vic/Tas). It is a company limited by guarantee and a responsible entity regulated by the Australian Securities and Investments Commission. U Ethical is also a charity registered with the Australian Charities and Not-for-profits Commission.

U Ethical is based in Melbourne, Victoria and manages the following products for clients primarily in Australia.

Products for charitable entities with tax exempt status

- U Ethical Enhanced Cash Portfolio
- U Ethical Australian Equities Portfolio
- U Ethical Growth Portfolio.

Products for all other investors

- U Ethical Enhanced Cash Trust
- U Ethical Australian Equities Trust
- U Ethical International Equities Trust
- U Ethical Funeral Fund.
Creating a better world by investing with purpose —today and into the future.

Uniting Ethical Investors Limited  
(ABN: 46 102 469 821; AFSL: 247147) 
trading as U Ethical  
Level 5, 130 Little Collins Street  
Melbourne Victoria 3000  
p 1800 996 888  f 03 9650 7074  e info@uethical.com

Feedback  
Central to our philosophy is a commitment to open dialogue with stakeholders, which is why your feedback is important. Please contact us with any feedback you might have about this report.

uethical.com