



# Ethical Investment Policy

August 2021

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## Preamble

U Ethical is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.

Over more than three decades, we have become one of the largest ethical investment managers in Australia with over \$1.3 billion in funds under management. We are also one of the only investment businesses in Australia to have been certified as a B Corporation.

As a not-for-profit social enterprise, we grant the majority of our operating surplus to community programs.

## 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.

## Ethical Investment Process

U Ethical's investment process ensures that all investment decisions are in keeping with our vision and that they promote careful financial stewardship. This is achieved through the application of positive and negative screens, ESG integration, alignment with the United Nations' Sustainable Development Goals and engagement with companies—together with a focus on competitive economic returns and sustainability.

## Positive Screening

Our positive screening seeks out companies that promote human welfare and dignity or environmental sustainability. Examples include companies producing goods or services that enhance the health and welfare of individuals and communities as well as companies producing goods or services that protect our environment. We screen positively for sectors such as:

- Clean energy and technology
- Sustainable agriculture
- Circular economy
- Employment
- Community and education services
- Health care.

## Negative Screening

Our negative screening evaluates a company's products, services and practices to ensure they are not detrimental to society or the environment. U Ethical avoids investing in companies that:

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

Our screening approach means we systematically exclude the following industries due to their inherent negative impacts:

- Fossil fuels (coal, oil & gas)
- Uranium mining and nuclear
- Defence and weapons (civilian, conventional and controversial weapons)
- Predatory lending
- Gambling
- Adult entertainment
- Animal cruelty
- Alcohol production
- Tobacco production.

However, we recognise that there are occasions when companies inadvertently violate these principles and make genuine efforts to rectify this. Furthermore, we generally do not exclude a company where a contravention of the principles constitutes less than 5% of the company's revenue or earnings. In such instances, the contravention may be outweighed by significantly positive factors.

## Neutral

The majority of our investments are deemed neutral by our positive and negative screens. Investment decisions are made on the basis of normal investment criteria including:

- ensuring prudent financial stewardship; and
- meeting our clients' income and capital investment objectives.

## Engagement and Advocacy

We acknowledge that ethical decisions are often complex and require careful consideration of both positive and negative factors. When our research uncovers companies held in our portfolios which have subsequently become involved in unacceptable activities or practices, our first preference is to initiate a process of direct engagement as a means of encouraging remediation and/or advocating for change consistent with community expectations and our values. When engagement does not deliver satisfactory outcomes, we exclude companies from our investable universe.

In addition to direct engagement, U Ethical collaborates with peers and industry bodies sharing similar values to advocate for systemic change where appropriate. This gives us greater leverage and influence than is often possible when acting alone.

U Ethical vigorously pursues its ethical values and objectives within the limitations of its scale and resources. While naturally concerned about a broad spectrum of ethical considerations, we elect to focus on issues where we believe we can have the greatest impact.

## Industry Representation

U Ethical participates as a socially responsible investor through membership of industry bodies including:

- [Responsible Investment Association Australasia \(RIAA\)](#)
  - RIAA's Human Rights Working Group
  - RIAA's Impact Management & Measurement Community of Practice
- [United Nations Principles for Responsible Investment \(UNPRI\)](#)
- The Investor Group on Climate Change (IGCC)'s ClimateAction 100+ and ClimateLeague 2030
- Investors Against Slavery and Trafficking (IAST)
- [B Lab Australia & New Zealand](#)
- [Banking and Finance Oath Limited](#).

## U Ethical

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Please remember past performance is not a reliable indicator of future performance. Investments are subject to risk and may result in the loss of capital.

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