

## How we think about nuclear

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Since inception in 1985, U Ethical's Australian Equities strategy has maintained a strict exclusion policy on nuclear - in relation to power generation, nuclear weapons, and uranium mining. Our exclusion stems from our relationship with the Uniting Church, our owner and foundational client, whose values have shaped our investment approach from day one. As long-term investors, we believe this is not only ethically responsible but essential to managing portfolio risk and delivering returns.

Our approach ensures we understand the opportunities for businesses in which we invest as well as how their operations impact the environment and society. With consumer and investor demand for sustainability growing, we believe ethical investing can deliver financial outperformance over the long term. Companies that embed social and environmental responsibility are more likely to win trust, adapt to regulatory change, and secure lasting competitive advantages.

As such, we exclude a range of industries that are fundamentally misaligned with our vision of a sustainable future. In contrast, we actively seek companies delivering positive impact in areas such as climate solutions, transitional resources, health care, and access to basic needs.

Nuclear is one sector where our exclusion policy remains absolute.

While some view nuclear energy as a potential transition technology, we believe the long-term risks and unresolved waste issues outweigh any environmental benefit. There are distinctions between nuclear weapons and nuclear energy, but we believe both carry unacceptable long-term costs. Global trends such as the Treaty on the Prohibition of Nuclear Weapons and investor-led disarmament initiatives support this stance. So too does the limited global uptake of nuclear in favour of increasingly cost-competitive and scalable renewable technologies.

Notwithstanding, AI's demand for energy means tech giants, while not nuclear operators, are increasingly seeking secure electricity sources to power their growth. Microsoft's recently signed agreement to restart a decommissioned nuclear reactor is one example. We do not exclude companies for using nuclear power, but if its involvement in nuclear power became central to its business, we would reassess under our ethical framework. Our stewardship approach means we engage to advocate for better choices, like accelerating the shift to renewables. Demonstrating what's possible is Google's \$3bn, 20-year hydropower agreement which is one of the largest clean energy deals in history. By staying at the table, we aim to encourage more of the companies in which we invest to make ethical choices.

Financial markets have consistently struggled to fully price the environmental, humanitarian, and geopolitical risks associated with the nuclear lifecycle. We remain firm in our position that the risks surrounding nuclear, both historical and emerging, continue to outweigh its benefits.

Our key concerns include:

- **Environmental and operational risks**, particularly in uranium mining and radioactive waste management, where safe disposal remains unsolved at scale
- **Geopolitical and reputational risks**, including associations with nuclear weapons development and proliferation
- **Humanitarian risks**, particularly from nuclear armaments, which continue to pose existential threats

As AI drives a surge in electricity demand, we acknowledge the complexity of the energy transition. But for us, the path forward lies in accelerating renewables and reducing risk, not returning to technologies with unresolved legacy impacts and burdens to future generations. With no existing nuclear infrastructure, Australia is in a special position to be a leader in green energy solutions.

We remain committed to building concentrated portfolios of high-quality companies with long-term earnings growth potential without compromising our values. While nuclear energy may make economic sense in parts of Europe or the USA with legacy infrastructure, the case is far less compelling in Australia, where we would be building from scratch. Both economically and ethically, we believe renewables represent a more responsible and forward-looking solution which is why nuclear remains excluded from the U Ethical Australian Equities Trust.

This information is provided by Uniting Ethical Investors Limited (ABN 46 102 469 821) (AFSL 294147), trading as U Ethical. U Ethical can be contacted on 1800 996 888 or by mail and in person at Level 6, 130 Lonsdale Street, Melbourne VIC 3000.

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