

Stewardship Report

Our engagement
and advocacy

2024-25





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About the report

We are proud to present the U Ethical 2025 Stewardship Report, which offers a comprehensive account of our stewardship activities throughout the 2024–2025 financial year. This report highlights how we systematically integrate Environmental, Social, and Governance (ESG) factors into our investment decisions and how those factors shape the actions we take to engage with companies on responsible business practices. Through these efforts, we aim to create long-term value for our clients while contributing to a more sustainable and ethical society.

At U Ethical, we view responsible stewardship as a cornerstone of our commitment to both financial success and ethical integrity. Our fiduciary duty drives us to pursue long-term returns for our clients while holding companies to high standards of governance, environmental responsibility, and social impact. We actively engage with businesses to promote greater transparency, accountability, and sustainability in their operations.

In the last financial year, we continued to build on our history of progressive stewardship focus. U Ethical has formally integrated an ESG Score into our overall fundamental rating process for evaluating equities for inclusion in our portfolios and have continued to refine the bespoke nature of the score, supported by internal U Ethical research and methodology.

This ESG Score helps guide our stewardship process by identifying material E, S and G issues and prioritising them based on impact on issuer and/or portfolio.

Guided by our principles of authentic leadership, progressive change, and impactful outcomes, we continued to engage with companies and participate actively in proxy voting. Our goal remains clear: fostering better investments while building a better world.

Within this report, you will find data, case studies, and detailed examples of our engagement efforts, demonstrating how we work collaboratively with companies to address both risks and opportunities. Our focus areas—climate change, natural capital, basic needs and empowerment—are key drivers in shaping our investment strategies and decisions.

We hope this report offers valuable insights into U Ethical's unwavering commitment to responsible investment and stewardship. We remain focused on making a positive, lasting impact for both our clients and the broader community.

The investment and stewardship team



Jon Fernie
Chief Investment Officer
BCom, MBA, CFA

Jon is responsible for investment strategy and provides oversight of U Ethical's portfolios including risk management and implementation of our Ethical Investment Policy. Jon is also the Co-Portfolio Manager for the U Ethical Australian Equities Trust and the Portfolio Manager for the U Ethical Growth Portfolio. He has over 16 years' experience in the financial services industry with previous roles in equities research and wealth management. Prior to joining U Ethical, Jon was a research manager and equities analyst at Lincoln Indicators, worked as an associate client advisor at UBS Wealth Management in London and was an equities analyst at Austock Securities. Jon holds the Chartered Financial Analyst (CFA) designation and a Masters in Business Administration (MBA) from Melbourne Business School.

"For us, ethical investing is about delivering strong, competitive returns while helping to build a more sustainable and just future. We deliberately avoid companies that cause harm to people or the planet, and instead focus on those aligned to generating long-term value from positive social and environmental outcomes. This is reinforced through active engagement and proxy voting, where we use our influence to drive meaningful change in the companies in which we invest."



Rachel Alembakis
Stewardship Manager
BS/BA, MSc

Rachel is responsible for managing U Ethical's active ownership activities, including proxy voting, leading direct and collaborative engagements and contributing to policy advocacy. She was previously the managing editor and founder of FS Sustainability, a Rainmaker title that examines how investors and companies integrate environmental, social and corporate governance issues into their decision-making processes, and was the host of the ESG podcast The Greener Way. She has more than a decade's experience as a financial journalist covering a broad range of investment issues. Rachel holds a graduate certificate in applied finance, an MSc in Politics of the World Economy from the London School of Economics and Political Science, a BA in journalism and a BS in political science from Boston University.

"Our stewardship work is integral to our purpose as an ethical investor. Our theory of change is that we engage with portfolio companies in pursuit of enhanced performance on material environmental, social and governance risks and opportunities, and because we believe that it is an essential part of being responsible stewards of our clients' capital. It adds not only investment value but also demonstrates our ethical approach to funds management."



Kenneth De Bruycker

Senior Responsible Investment Analyst
BS, MS, CFA

Kenneth is responsible for implementing the Ethical Investment Policy through comprehensive analyses of companies and our portfolios. He also actively participates as a member of U Ethical's Responsible Investment Committee.

Kenneth has over a decade of experience in the financial services industry, with a strong focus on responsible investing and sustainable finance. He spent several years at KBC Asset Management, directly reporting to the Chief Investment Officer, where he advanced the firm's responsible investing strategies. Kenneth developed ESG methodologies, overseeing investment stewardship activities, and driving key initiatives that aligned the company's operations with the evolving regulatory landscape.

Prior to his responsible investing role at KBC AM, Kenneth worked as a research analyst, conducting in-depth financial analysis and providing strategic investment recommendations in the utility sector. His career began at BNP Paribas Securities Services as a fund accountant, where he managed financial records and transactions for various investment funds.

"By performing ESG thematic sweeps across our holdings, we keep our portfolios aligned with the highest ethical standards while testing them against evolving sustainability issues. This ensures that our investments reflect society's most pressing ESG challenges and that we continue to respond to ESG impacts while upholding our commitment to ethical investing."



Environmental, Social and Governance (ESG) integration: avoiding risk and setting the stewardship agenda

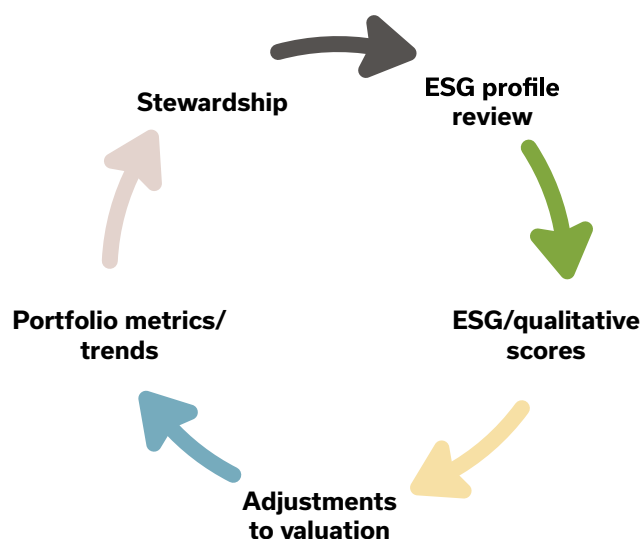
U Ethical's vision is to improve our world through the power of purposeful investing, and our values are predicated on three principles: *Determination* - we strive to always be better, do better and constantly deliver; *Respect* - we show genuine respect and care; and *Generosity* - everything we do is about giving back.

To achieve that vision, U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society and the environment according to industry best-practice, industry standards and/or voluntary frameworks. We also screen out companies that do not meet our selection criteria.

Our approach to ESG

U Ethical's investment approach includes building an ethical/ESG profile that identifies risks and opportunities and is completed prior to any investment. It includes quantifying earnings/valuation impacts from material ESG issues or adjusting qualitative assessments that affect portfolio positioning. This ensures that targeted investments align with the ethical investment policy, meet ESG criteria and identify areas for future engagement activity.

Figure 1



Screening

Our negative screening evaluates a company's products, services and activities and the extent to which these do or may impact society or the environment. Consistent with our ethical position, we avoid investing in companies that:

- do not comply with environmental legislation
- infringe on human rights
- contravene international conventions

Our screening approach means we do not invest in companies and issuers directly deriving revenue or earnings from the activities listed below. This is either zero tolerance or where revenue or earnings exceed a materiality threshold of 5% of the total:

Zero tolerance:

- Controversial and nuclear weapons
- Tobacco production
- Nuclear power

5% materiality threshold:

- Fossil fuels - coal mining, oil and gas production, power generation and equity ownership
- Uranium mining
- Civilian and conventional weapons
- Predatory lending
- Gambling
- Adult entertainment
- Animal cruelty and exploitation
- Alcohol production

We recognise that there are circumstances when companies inadvertently violate the above criteria, but they are making genuine efforts to rectify the

violation. Cash, cash equivalents and term deposits are only exposed to the financial services sector (predominantly banks) and given the nature of the underlying investments this limits full application of negative screening. The focus on screening for these issuers is on issuer controversies and overall ESG profiles.

ESG data and analysis further appears in our fundamental screening and rating process.

ESG score

The ESG Score offers a comprehensive assessment of a company's environmental, social and governance performance. It draws on a set of quantitative factors across four core areas:

- **Business and product involvement:** assesses exposure to restricted activities as well as contributions to products and services aligned with the Sustainable Development Goals;
- **ESG controversy and norms-based screening:** assessing significant ESG controversies and alignment with international norms and standards;
- **Positive contribution:** evaluating overall ESG performance through ESG ratings, pillar-level performance and indicators of sustainable impact; and
- **ESG metrics:** incorporating forward-looking measures, including climate alignment and governance indicators such as Board diversity.

The ESG score will influence the overall fundamental rating, which directly impacts the target weights. Additionally, analysts may adjust the qualitative ratings (industry growth, competitive position, board/management assessment) based on ESG information, separate to the ESG Score, which will also directly impact the target weights. The ESG score can then inform prioritisation of research for new investments or stewardship activities for existing holdings.



Why undertake active stewardship?

As an ethical and responsible investor, we hold the companies in which we invest to high standards. After screening and evaluating potential new investments, our stringent investment process applies to companies already in our portfolio.

Our active stewardship program goes further than proxy voting to involve engagement (both direct and collaborative) and advocacy activities:



Direct engagements: Individually communicating with holdings in our investment portfolio;



Collaborative engagements: Working with industry peers for greater leverage and a unified voice, targeting portfolio holdings (and those outside our portfolios) and critical themes for responsible investors; and



Advocacy initiatives: Individually and collectively addressing systemic risks by influencing decisions within political, economic and social institutions

This ongoing dialogue and collaboration drive long-term financial outcomes as well as reducing or pre-empting social and environmental impacts.

Working together for positive outcomes

After a company is included in our portfolio, we continue to monitor its approach to managing ESG risks. If there is reason for concern, our first step is to work with the company in addressing the matter or identifying areas for improvement rather than simply divesting. Ongoing dialogue with portfolio companies means we can hold focused and constructive discussions and, where possible, help corporate teams establish acceptable roadmaps to resolve issues or embrace best practice with long-term business viability in mind.

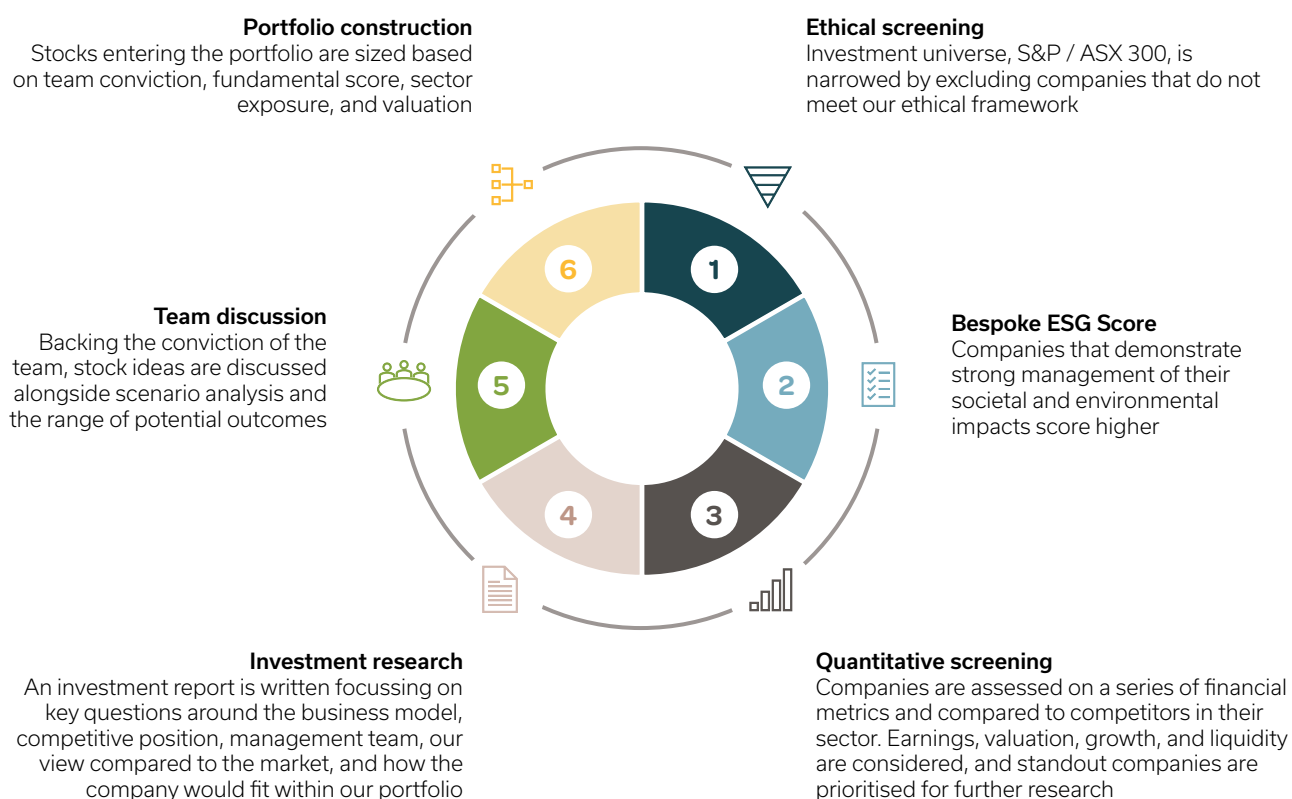
The aim of engagement activities is to see portfolio companies make genuine corporate behaviour changes such as greater transparency, accountability and robust public commitments. We seek commitments from companies that are backed by strategic roadmaps and credible implementation plans, linked where appropriate to executive remuneration and capital investment strategies. Through advocacy, we address systemic risks companies may face in their broader operational environments. This includes advocacy efforts with industry bodies, regulators and civil society groups.

What prompts engagement and advocacy activities?

After a company is included in our portfolio, we enter the stewardship phase of our investment process (refer to Figure 2). The investment team continues to monitor portfolio holdings. Daily alerts indicate possible changes to portfolio companies' ESG profile and controversies, downgrades or upgrades.

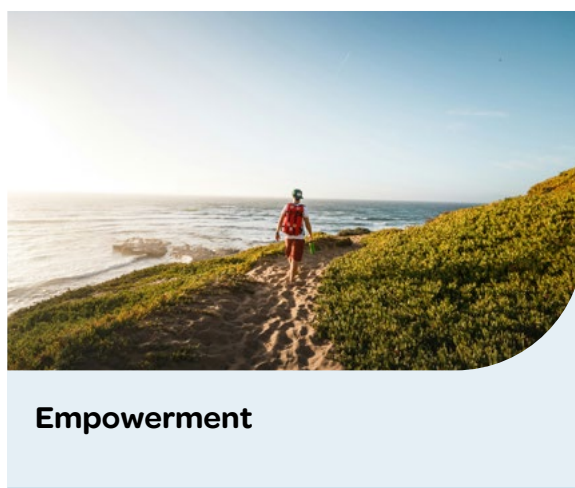
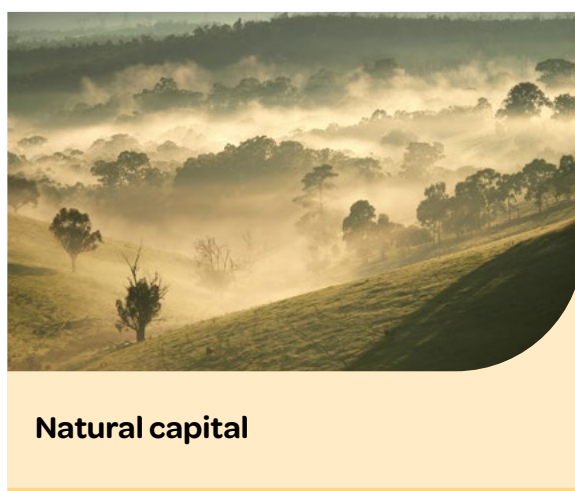
Over and above this, we conduct internal research on both macro and micro economic trend factors, which may require conversations with companies. Finally, the team seeks external guidance from our [Ethical Advisory Panel \(EAP\)](#) on thematic research and ethical considerations that may impact U Ethical's trusts and product development.

Figure 2

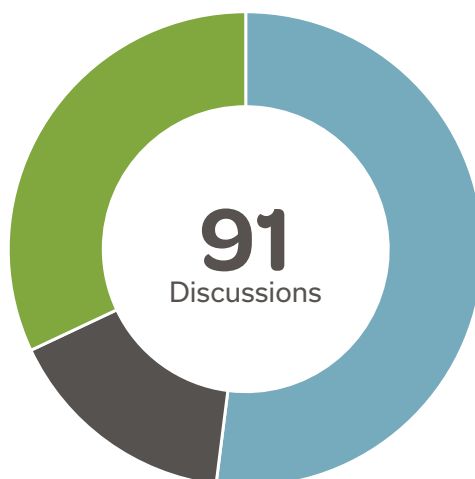


Our areas of engagement focus

In order to ensure our active stewardship is focused, we refer to a series of themes that guide our priorities for engagement activities.



Engagement activities



Top discussion themes

- 27** Climate change
- 9** Nature
- 6** Animal welfare



Top discussion themes


- 6** Diversity
- 5** Corporate conduct
- 4** Policy/Government consultation



Top discussion themes

- 23** Indigenous rights
- 21** Financial inclusion
- 9** Human rights

Note: Top discussion themes represent the topics most commonly featured in engagements. As discussions often cover multiple themes, totals are higher than the number of discussions.



In FY25, U Ethical's engagement and advocacy efforts sought genuine progress toward greater transparency, accountability and credible public commitments from portfolio holdings and the industries or jurisdictions within which companies operate.

Our reach



Companies engaged

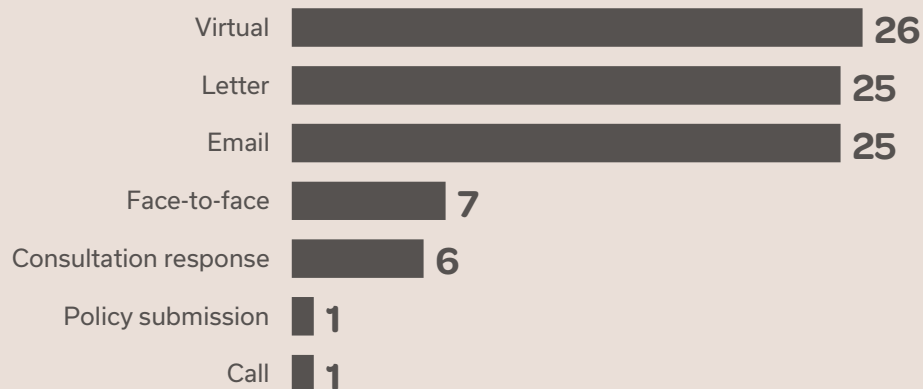
35



Discussions

91

Discussion types



Engagement type



Individual

67



Collaborative

20



Collaborative lead

4

Engagements by sector



Voting summary



633
Votes for



73
Votes against

Votes with or against management

637

With management

69

Against management

63

on Management Say on Pay

Votes on shareholder proposals

54

Votes

Company progress on board gender diversity

74%

of Australian Equities Trust (AET) companies have more than 40% board level gender diversity, an increase from last financial year

46%

of International Equities Trust (IET) companies have more than 40% board level gender diversity, an increase from last financial year

Companies with Reconciliation Action Plans

50%

of Australian Equities Trust companies have a Reconciliation Action Plan.

Engagement case studies

DIRECT ENGAGEMENT

Australian banks, financial inclusion and Indigenous rights



Actions:

August 2024 – Virtual Call

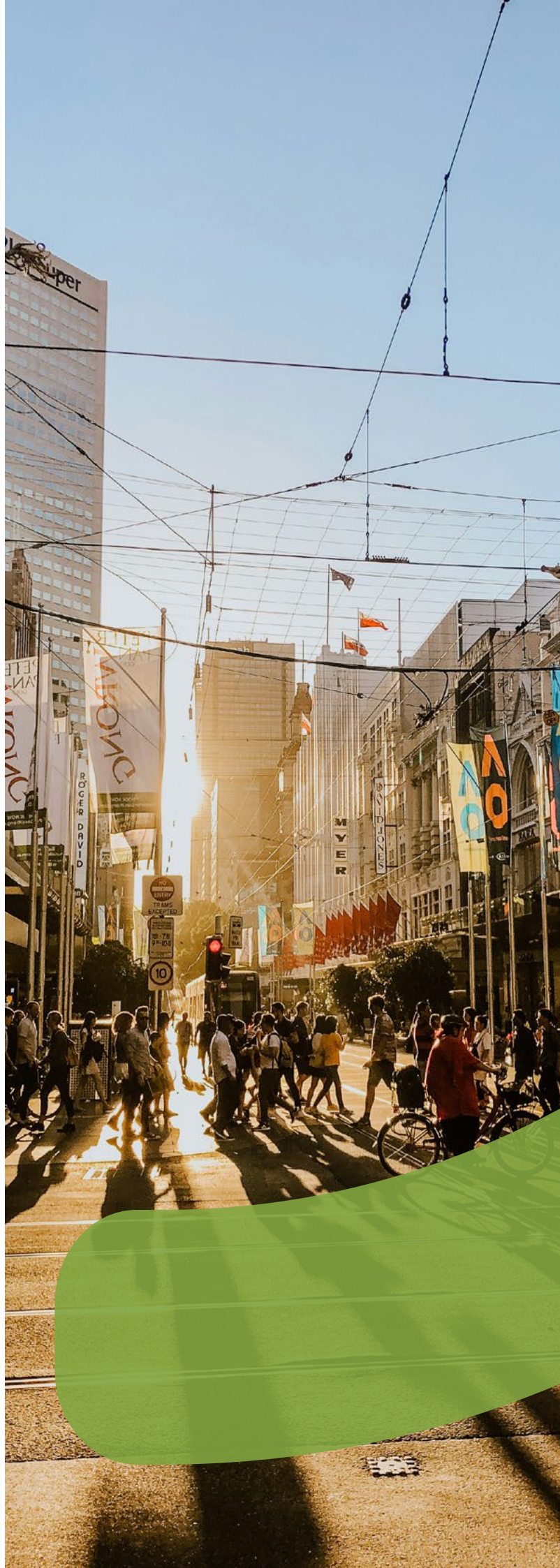
August 2024 – Letters

December 2024 – Virtual Call

Reason for investment

U Ethical's Australian Equity Trust is invested in Australia's major banks – ANZ, Commonwealth Bank, National Australia Bank, Westpac Group and Macquarie Group. The major Australian banks provide an attractive fully franked income stream to investors. While the lending environment remains competitive, bad debts have remained low and the banks have been able to manage costs well, which has supported earnings and dividends. The banks also remain well-capitalised with solid loan loss provisioning.

Further, major banks are also the largest corporate issuers in the Australian fixed income market. U Ethical holds issuance in Bendigo and Adelaide Bank, Bank of Queensland and Suncorp in its fixed income portfolios. While stewardship in the fixed income space has a different impact because of different tools of active ownership, U Ethical exercises its influence where possible across its fixed income portfolios.



Reason for engagement

In July 2024, the Australian Securities and Investments Commission (ASIC) released a report identifying historic instances of Indigenous Australians receiving Centrelink benefits being placed in high-fee bank accounts rather than low fee accounts, thus being overcharged for banking services.

Engagement

Consultation meetings with Financial Counselling Australia's Director of First Nations Policy revealed broader systemic concerns beyond banks in ASIC survey. This conversation helped inform U Ethical's view that there was a need for broad engagement with portfolio companies ANZ, NAB, Westpac, CBA Bendigo and Adelaide Bank, Bank of Queensland and Suncorp.

All portfolio companies provided appropriate written responses to U Ethical's questions in a reasonable time period.



Progress or outcomes

All responding banks had either eliminated fees on transaction accounts or committed to ASIC's recommended measures.

Future engagement will focus on ensuring that First Nations executives play a meaningful role in shaping culturally appropriate bank policies, products, and processes. After the end of reporting period, ASIC released a follow-up report tracking progress and will prompt further, more targeted queries to portfolio banks.

Further, U Ethical has established dialogue with FCA's First Nations Network to gain grassroots insights into financial exclusion issues facing Indigenous Australians.

COLLABORATIVE ENGAGEMENT

Australian banks and financing of the climate transition



Actions

July 2024, October 2024, April and May 2025 – Virtual Meetings, letter

Reason for investment

U Ethical is invested in Australia's major banks – ANZ, Commonwealth Bank, National Australia Bank, Westpac Group and Macquarie Group. The major Australian banks provide an attractive fully franked income stream to investors. While the lending environment remains competitive, bad debts have

remained low and the banks have been able to manage costs well, which has supported earnings and dividends. The banks also remain well-capitalised with solid loan loss provisioning.

Reason for engagement

In 2023, U Ethical organised and is the leading investor on a multi-investor collaborative engagement focusing on these banks. We are working with leading responsible and ethical investors in Australia to maximise our impact with the aim of ensuring the banks' high-level commitments to transition to net zero are being implemented in a timely fashion, in line with the work of phasing out fossil fuel investments and no new funding of fossil fuel projects that are not aligned with the Paris Agreement.

In FY25, ongoing meeting and planning was held with ANZ, MQG and WBC on the topics that would form this collaborative engagement. U Ethical led the planning to finalise objectives, timelines and next steps. In addition to organising the overarching engagement, U Ethical is lead investor on engagement with Macquarie Group, with a meeting held after the reporting period in July 2025.

U Ethical is support investor on Westpac and CBA, with other investors nominating to lead and support engagements.

Progress or outcomes

As a result of collaborative action, the group was able to pool insights, gain clarity on whether banks will make further commitments and work together to achieve the common aims.

We are engaging with banks on these issues based on the investment thesis that by gaining greater clarity on banks' transition pathway and facilitated emissions, we assist in the risk-adjusted return profile of our portfolio as well as advocate for an efficient decarbonisation of the Australian finance sector and economy overall.

While none of the three resolutions gained a majority of shareholder support (nor were they expected to), the signal from those votes has been used in the engagements in 2025 and beyond to shape the asks by the group of investors.

Result of 2024 AGM shareholder votes on transition plan assessments:

Bank	Vote for
NAB	14.8%
Westpac	34.2%
ANZ	27.2%



DIRECT ENGAGEMENT

Coles and Woolworths and aquaculture in Macquarie Harbour



Actions

October 2024 – virtual meetings

Reason for investment

Woolworths is the largest supermarket chain in Australia, holding approximately ~37% market share (1463 stores) in the Australian supermarket and grocery retail market. It also owns and operates a supermarket chain in New Zealand, discount department stores Big W in Australia, pet business Petstock, a business-to-business food services business PFD in Australia among other assets.

Coles is the second largest supermarket chain in Australia, holding approximately a 27.5% market share in the grocery retail market.

Reason for engagement

A group of activist shareholders filed resolutions with Coles and Woolworths in 2024 urging both companies to cease sourcing farmed salmon from Macquarie Harbour. The resolutions were driven by concerns over the risk of extinction facing the Maugean skate, a critically endangered native fish species.

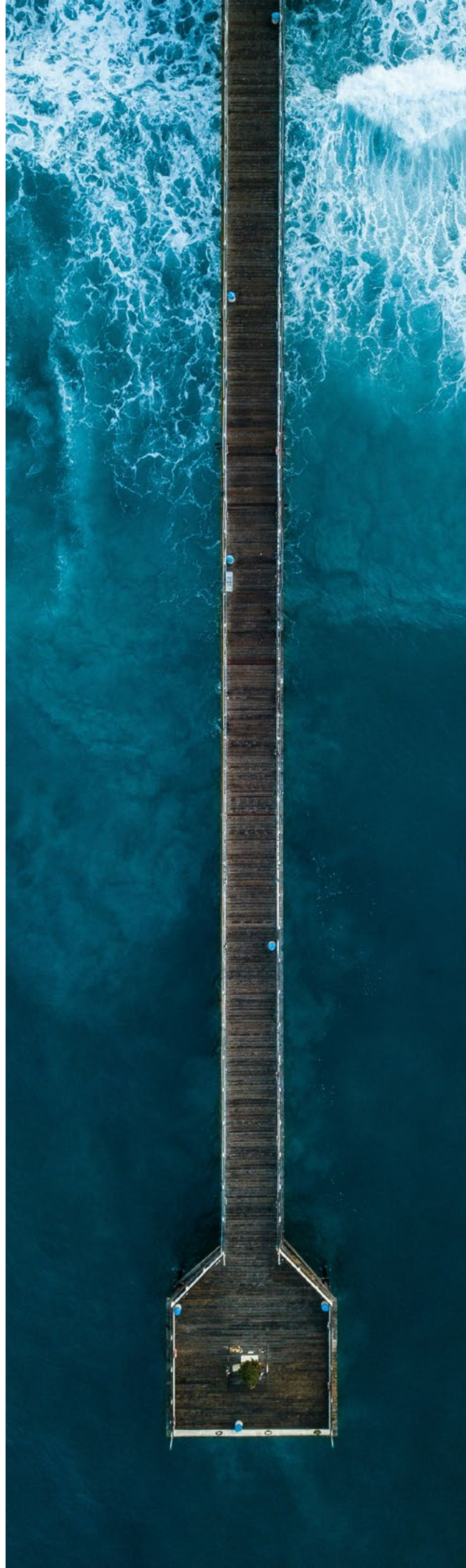
In discussions with the sustainable and responsible procurement teams of both companies, we sought deeper insight into how they assess risk and return when sourcing from Macquarie Harbour aquaculture companies. While these conversations provided greater clarity on their approach, we ultimately determined that their assessments did not fully account for the ecological and reputational risks associated with a potential extinction event and broader ecosystem damage.



Progress or outcomes

U Ethical voted in support of the shareholder resolutions, reinforcing our commitment to responsible investment and the protection of biodiversity in Australia's marine ecosystems. While neither resolution gained a majority of shareholder support (nor were they expected to), the signal from those votes has been used in the engagements in 2025, with both resolutions re-filed for the 2025 AGM.

Supermarket	Vote for
Coles	39.0%
Woolworths	30.4%





COLLABORATIVE & DIRECT ENGAGEMENT

Modern Slavery, IAST-APAC and the RIAA Human Rights Working Group

Reason for thematic consideration

Modern slavery and broader human rights violations are both systemic risks and potential direct risks to portfolio companies. Thus, working with companies, regulators and government to reduce instances of modern slavery and remediate victims is both an ethical goal and a risk-reduction strategy for investments.

Reason for engagement

U Ethical participates in collaborative groups such as Investors Against Slavery and Trafficking (IAST-APAC) and the Responsible Investment Association Australasia's (RIAA) Human Rights Working Group on the grounds that collaborative action across a broad range of portfolio companies leverages our impact more broadly. Through IAST-APAC, we speak with a number of companies in the consumer discretionary and consumer staple sectors, companies that have deep and complex supply chains that require sustained, nuanced and authentic action to monitor, manage, and when needed, remediate instances of modern slavery.

U Ethical also works with the Uniting Church's Justice & International Mission, most frequently with Senior Social Justice Advocate Mark Zirnsak to lend our voice on policy and legislation consultations at state and federal government level.

Further, U Ethical engages with companies in our portfolio where we see opportunities for direct action and communication.





DIRECT ENGAGEMENT

Wesfarmers



Action

Face-to-face meeting October 2024.

Reason for investment

Wesfarmers is a diversified conglomerate and a solid player in the Australian consumer discretionary space. It operates a diverse range of businesses across consumer and industrial sectors: Bunnings (represents 50% of group sales), Kmart/Target (30%), Officeworks (9%), Chemicals, Energy & Fertilisers (6.5%) and Industrial & Safety (5.5%).

Reason for engagement

U Ethical prioritises regular, consistent engagement with portfolio companies including Wesfarmers because of the nature of modern slavery risks, the complexity of deep supply and value chains for companies including Wesfarmers and the evolving nature of WES's response to modern slavery risks.

In our most recent engagement meeting, U Ethical sought clarification on the following topics:

- WES Health: WES is aligning their sourcing policies and practices to wider WES ethical sourcing policies.
- Modern slavery - information on worker callback surveys and grievance mechanisms
- Board expertise and future skills



Progress or outcomes

The information shared by Wesfarmers and our ongoing support for appropriate find, fix and prevent policies regarding human rights, labour and modern slavery risks informs our proxy voting actions at Wesfarmers AGM and feeds into ongoing views of risk-adjusted return at Wesfarmers.

Further reading

Ethical Investment Philosophy

An articulation of U Ethical's values and how these guide our ethical investment processes.



Download

Ethical Investment Approach

How we specifically implement our ethical investment policy and processes. A detailed explanation of what ethics and impact data we analyse and why.



Download

Ethical Investment Policy

An overview of our ethical investment processes; a high-level explanation of our investment screening process, ethical investment research and verification, stewardship, and industry collaborative engagements.



Download

Climate Risk Report Task-Force on Climate Related Financial Disclosures (TCFD) aligned

U Ethical's values include commitments to portfolio alignment with a climate-safe and just transition. All of these considerations are fundamental to U Ethical's investment philosophy and the long-term risk and return of U Ethical's portfolios. Our framework for such considerations is outlined in this climate risk report. The report is in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations for improving and increasing reporting of climate-related financial information.



Download

Ethical Advisory Panel

Our Ethical Advisory Panel provides analysis on our thematic research and ethical considerations, advice on nuanced issues as solicited and contribute to thought leadership and ensuring our approach remains aligned with evolving ethical expectations.



Amandine Denis-Ryan
Chief Executive Officer
Institute for Energy Economics

Amandine is a recognised sustainability expert who led Australia's first net-zero pathway, now widely used in business and government.

Amandine joined IEAA following senior roles at Climateworks Centre and McKinsey & Co, advising diverse sectors on the strategy and implications of the energy transition.



Mark Zirnsak
Senior Social Justice Advocate

Mark joined the Uniting Church Justice and International Mission in 1999, becoming its Director in 2004 and Senior Social Justice Advocate in 2019.

Mark champions social justice on climate change, refugees, modern slavery and more, advising Commonwealth and Victorian governments in these areas.



James Cook
Chief Investment Officer
Cordis Asset Management

Formerly CIO at U Ethical, James has more than 30 years' investment experience having held senior roles at British Gas Pension Fund, Norwich Investment Management, Portfolio Partners and ANZ Wealth.

James is currently Chief Investment Officer at Cordis Asset Management, specialising in global listed equities.



Simon O'Connor
Non-Executive Director
Bank Australia

Simon has over 20 years' experience at the intersection of economics, finance, and sustainability. Former CEO of the Responsible Investment Association Australasia, he led growth in sustainable finance across Australia and New Zealand.

Simon has held key regional and global roles advancing responsible investment across sectors.

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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Before acting on the information or deciding whether to acquire or hold units in a U Ethical product, you should consider whether the product is appropriate for you given your own objectives, financial situation and needs. You should also consider the disclosure document(s) for the product (such as the product disclosure statement and target market determination). The disclosure documents are available from this website or can be provided by calling us on 1800 996 888.

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