

Board Quality Metric

Assessing governance quality to inform investment, engagement and voting

What is the Board Quality Metric?

The Board Quality Metric is a data-led framework used by U Ethical to assess the quality and effectiveness of company boards as part of our broader ESG and stewardship process.

It evaluates governance at both:



Board level (structure, independence, diversity and oversight), and



Director level (patterns of behaviour and outcomes across current and prior roles).

The metric is designed to identify emerging governance risks and strengths in a structured, consistent way.

What does it assess?

The metric combines two complementary pillars:

| Traditional board governance indicators | Director-level behavioural insights |
|--|---|
| Board composition and independence | Directors' involvement in ESG controversies across roles |
| Diversity and role structure | Patterns of sustained underperformance at companies where directors have served |
| Separation of key roles (e.g. Chair/CEO) | Repeated governance or accountability concerns over time |
| Other standard governance indicators | |

The focus is on patterns, not isolated incidents.

Why does board quality matter?

Board quality is one of the strongest predictors of long-term company performance.

Weak boards are often associated with:

- Strategic blind spots
- Poor capital allocation
- Weak accountability and oversight
- Repeated ESG controversies

Strong boards tend to demonstrate better risk management, decision-making and long-term resilience.

This metric helps us identify governance risks early, rather than reacting after problems crystallise.

How is it used?

The Board Quality Metric is embedded in U Ethical's investment and stewardship process and informs:



Investment decisions

Board quality is a formal input into company assessment and investment decisions.



Portfolio construction

Governance insights influence portfolio positioning alongside financial analysis.



Engagement priorities

Companies with weaker board quality signals are prioritised for targeted engagement.



Proxy voting

Director-level insights inform voting on director elections and remuneration outcomes.

The metric is reviewed and updated regularly as board composition and circumstances change.

EXAMPLE

Coles Group

Current positions

| Name | Position | Number of ESG incidents | | | | Number of underperformance | |
|----------------------|----------|-------------------------|--------|----------|-------|----------------------------|--------------------|
| | | Very severe | Severe | Moderate | Minor | Single-day events | Structural periods |
| Allen Peter | Board | 0 | 0 | 4 | 3 | 2 | 0 |
| Chow Jacqueline | Board | 0 | 2 | 7 | 3 | 5 | 0 |
| Cleland Abigail | Board | 0 | 2 | 8 | 3 | 4 | 0 |
| Freudenstein Richard | Board | 0 | 2 | 7 | 3 | 19 | 4 |
| Penn Andrew | Board | 0 | 2 | 6 | 3 | 0 | 0 |
| Price Scott | Board | 0 | 1 | 6 | 3 | 0 | 0 |
| Stops Wendy | Board | 0 | 2 | 6 | 3 | 0 | 0 |
| Weckert Leah | Board | 0 | 2 | 6 | 3 | 0 | 0 |
| Weckert Leah | CEO | 0 | 2 | 6 | 3 | 0 | 0 |
| Elias Charlie | CFO | 0 | 1 | 6 | 3 | 0 | 0 |

ESG Board Metrics

| Board independence & leadership | | Board structure & composition | | ESG strategy & oversight | |
|--|------|-------------------------------|----|---------------------------------------|-------------|
| Board majority independent of management | Yes | Board size: Oversized Board | No | Board Climate Risk oversight | No evidence |
| Separate CEO and Chairman | Yes | Board size: Undersized Board | No | ESG Risk Management oversight (score) | No data |
| Gender Board Diversity: % of Women | 50.0 | Entrenched Board | No | Environmental strategy oversight | Yes |

Source: MSCI. Visit www.uethical.com/disclaimers for relevant disclaimers.

Board Quality Assessment

| Overall score and rating | Strong |
|--------------------------|--------|
| | |

Important note:

Data as of January 2026. This metric uses a combination of third-party data and proprietary analysis. Underlying data, methodologies and weightings are proprietary and are not disclosed externally.

Illustrative examples may be provided for explanatory purposes only.

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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