

Stewardship Report

Our engagement
and advocacy

2025-26





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About the report

Building resilience in volatile times

We are proud to present the U Ethical 2026 Stewardship Report, which offers a comprehensive account of our stewardship activities throughout the 2025-2026 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.

Without a doubt, investment events of the 2025-2026 financial year took place against a wider backdrop of greater geopolitical volatility, including increased military action around the world and increased use of economic tools such as tariffs to drive political ends, distorting market functions and causing increased pressure on cost of living metrics around the world. At the same time, there has been an accelerated decline of sustainability-related coalitions related to global challenges such as climate change. As a result, the consensus on the need, impact and relevance of ethical and responsible investment continues to come under pressure. Through this turbulent time, as we have done in other times of volatility, U Ethical has maintained its deeply ethical approach to investment, including stewardship work.

At U Ethical, we see our foundational approach to ESG and ethical integration as a counterbalance to cyclical volatility. By analysing material ESG risks and opportunities and applying our ethical approach to inform our stewardship priorities and overall investment process, we identify the companies that are best placed to provide sustainable returns over the long term.

We also see engagement with companies, either directly or in conjunction with other investors and community stakeholders, as a way to further reduce risks or identify new opportunities aligned with better outcomes for people and the planet.

We believe that quality governance is a defining characteristic for companies that are likely to provide long-term risk adjusted return, and that well governed companies intrinsically have a regard for environmental and social risks and opportunities. This sentiment feeds into our stewardship aims.

The last financial year, we progressed our stewardship work by applying enhanced and evolved aspects of our Bespoke ESG Score with a Board Quality Metric, which identifies governance areas and board skills and competencies that we see as areas for improvement. This metric has assisted us to prioritise company engagements and questions for individual portfolio companies with the aim of maximising stewardship resources. Ultimately, we see strong governance as a key consideration in identifying high quality companies for investment and for ongoing portfolio inclusion. Our bespoke views on governance not only guide engagement, but also impact our decisions on areas such as proxy voting.

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 risk, human rights, and ethical governance - are key drivers in shaping our investment strategies and decisions.

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

The investment & 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.



Stewardship is integral to our ethical investing approach. Through direct and collaborative engagement, advocacy activity or proxy voting we aim to improve corporate behaviour and governance on key ESG issues. This work also informs our fundamental view on risks and opportunities for companies, as well as enhancing long-term resilience across portfolios."



Rachel Alembakis

Stewardship Manager
BS/BA, MSc, GAICD

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. As a board member of the Responsible Investment Association Australasia (RIAA), Rachel contributes to the industry body's work setting standards and convening Australasia's responsible investment community. Rachel holds a Master of Science in Politics of the World Economy from the London School of Economics and Political Science, and a BA in Journalism and BS in Political Science from Boston University. She also holds a graduate certificate in Applied Finance.



Through authentic application of our Ethical Investment Policy and with the enhancement of bespoke metrics and processes augmented with technology, U Ethical's stewardship work continues to serve to enhance performance on material environmental, social and corporate governance risks and opportunities in the furtherance of investment return for our clients. Our integrated ESG and stewardship investment work is an essential part of delivering responsible stewardship for our clients' capital."



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.



Strong governance is essential to the long-term success of the companies in which we invest and is therefore central to how we assess and engage with them. The development of our Board Quality Metric has strengthened this work by providing a more systematic way to incorporate our view of governance into investment decisions and stewardship priorities."



Environmental, Social & Governance (ESG) integration: avoiding risk & 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 & constantly deliver

Respect

We show genuine respect & care

Generosity

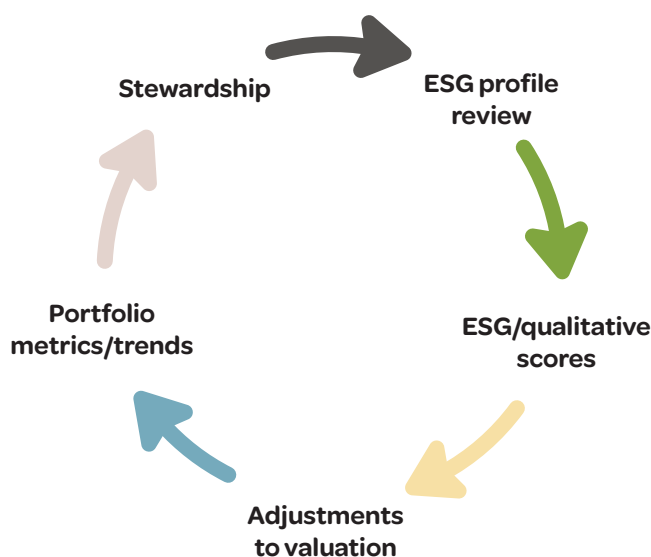
Everything we do is about giving back

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, and
- 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% or 10% of the total.

We recognise that there are circumstances when companies inadvertently violate this 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.



Exclusions

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
- Tobacco distribution
- Tobacco retail

10% materiality threshold:

- Alcohol distribution
- Alcohol retail

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.



Stewardship Adjustment Factor

In FY26, U Ethical introduced a stewardship adjustment factor, an automated model designed to adjust the ESG score based on observable stewardship signals, incorporating AGM voting outcomes (broader market voting patterns and our own voting decisions) as well as insights from stewardship activities.

The combined Bespoke ESG & Stewardship 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.

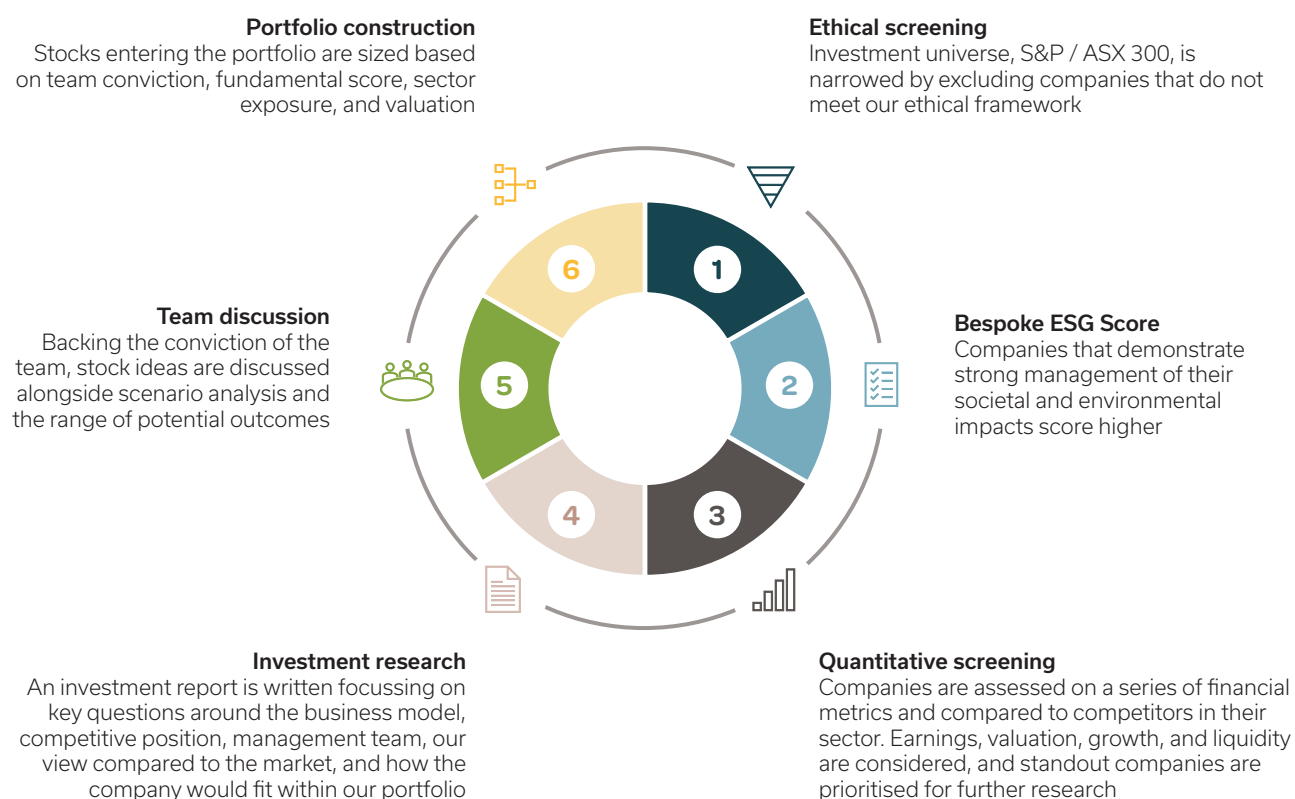
The aim of engagement activities is to see portfolio companies make genuine corporate behaviour changes such as greater transparency, accountability and robust public commitments. We seek commitments from companies that are backed by strategic roadmaps and credible implementation plans, linked where 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 & 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 ratings, controversy flags, downgrades or upgrades.

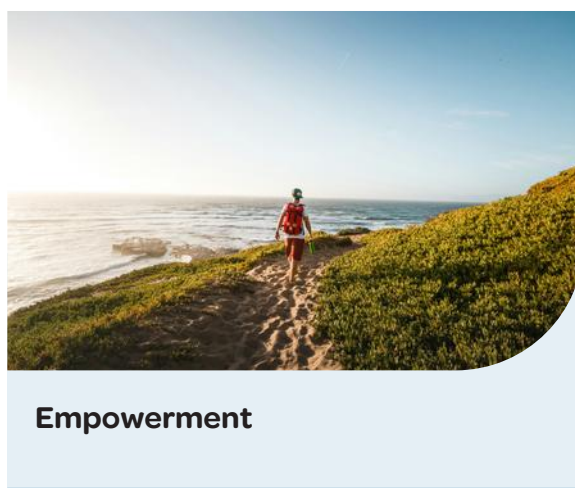
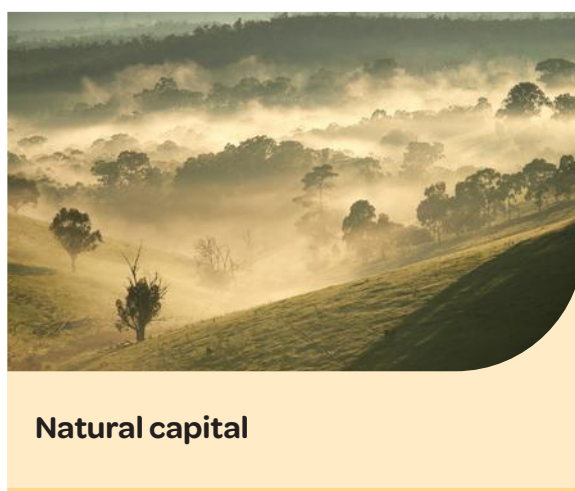
Over and above this, we conduct internal research on both macro and micro economic trend factors, which may require conversations with companies. Finally, the team seeks external guidance from our **Ethical Advisory Panel (EAP)** on thematic research and ethical considerations that may impact U Ethical's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

Figure 2

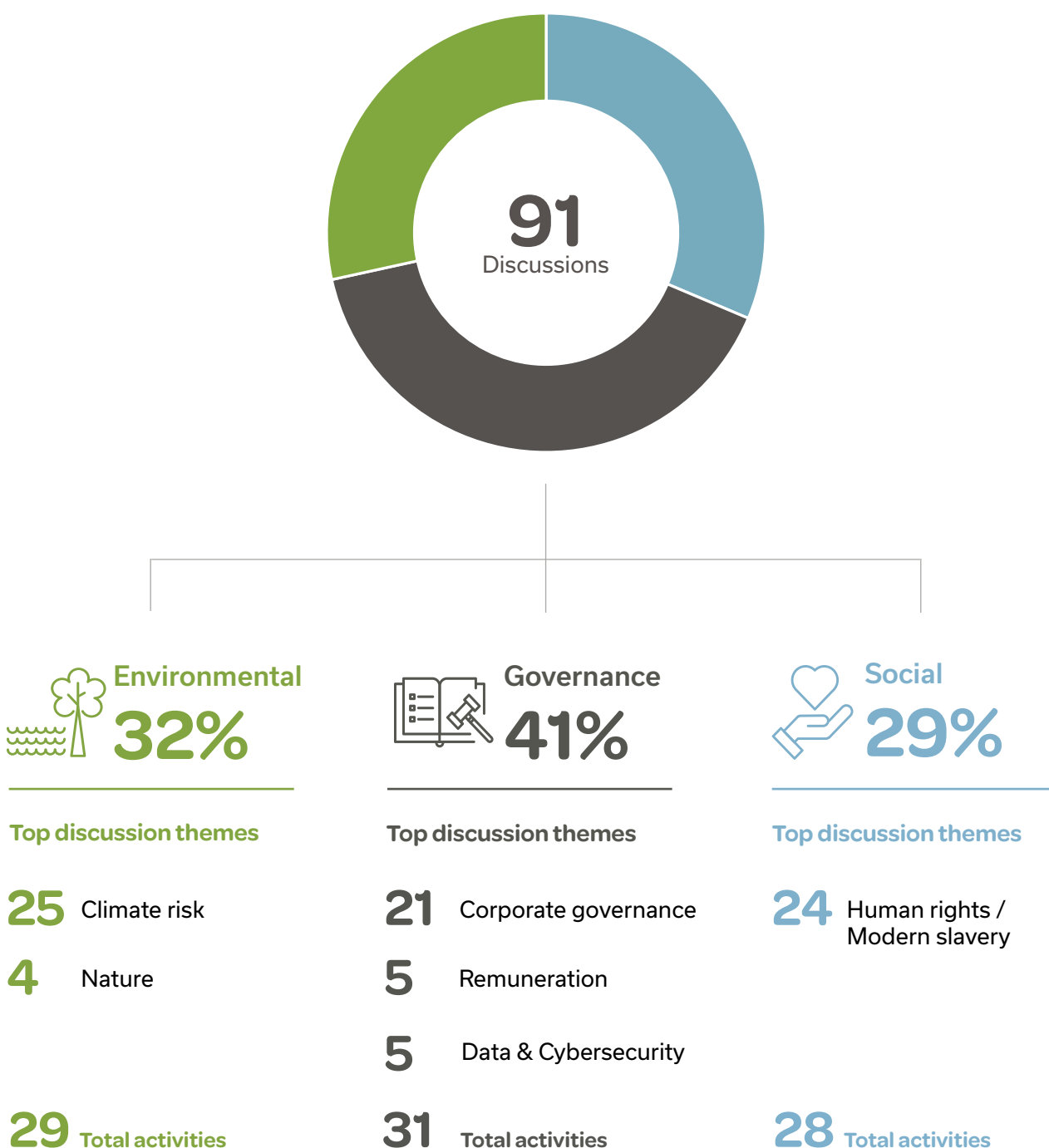


Our areas of engagement focus

In order to ensure our active stewardship is focused, we refer to a series of themes that guide our priorities for engagement activities. The next few pages outline the breakdown of engagements related to those themes as well as key sub-thematics in each area.



Engagement activities in detail



Note: Percentages may not tally to 100% due to rounding error and because some engagements cover multiple topics (e.g. human rights and climate change or financial inclusion and Indigenous rights). This may appear as double counting.



FY26 saw U Ethical continue to press for substance over statements - engaging portfolio companies, industries and jurisdictions alike to move beyond rhetoric toward transparency, accountability and commitments that can be tested and verified.

Our reach



Companies engaged

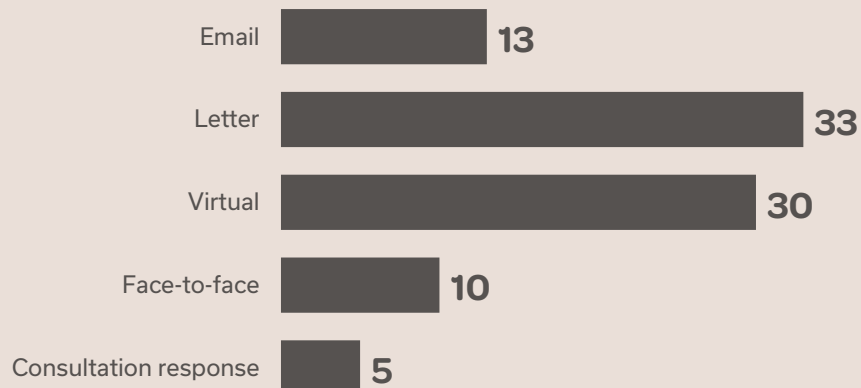
33



Discussions

91

Discussion types



Engagement type



Individual

55



Collaborative

22



Collaborative lead

14

Engagements by sector



Voting summary



637
Votes for



75
Votes against

Votes with or against management

622

With management

91

Against management

70

on Management Say on Pay

Votes on shareholder proposals

65

Votes

Company progress on board gender diversity

55%

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

30%

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

57%

of Australian Equities Trust companies have a Reconciliation Action Plan.

Engagement case studies

DIRECT ENGAGEMENT

Australian insurers, climate change, physical risk and insurance affordability



Actions:

April 2026 – Letters

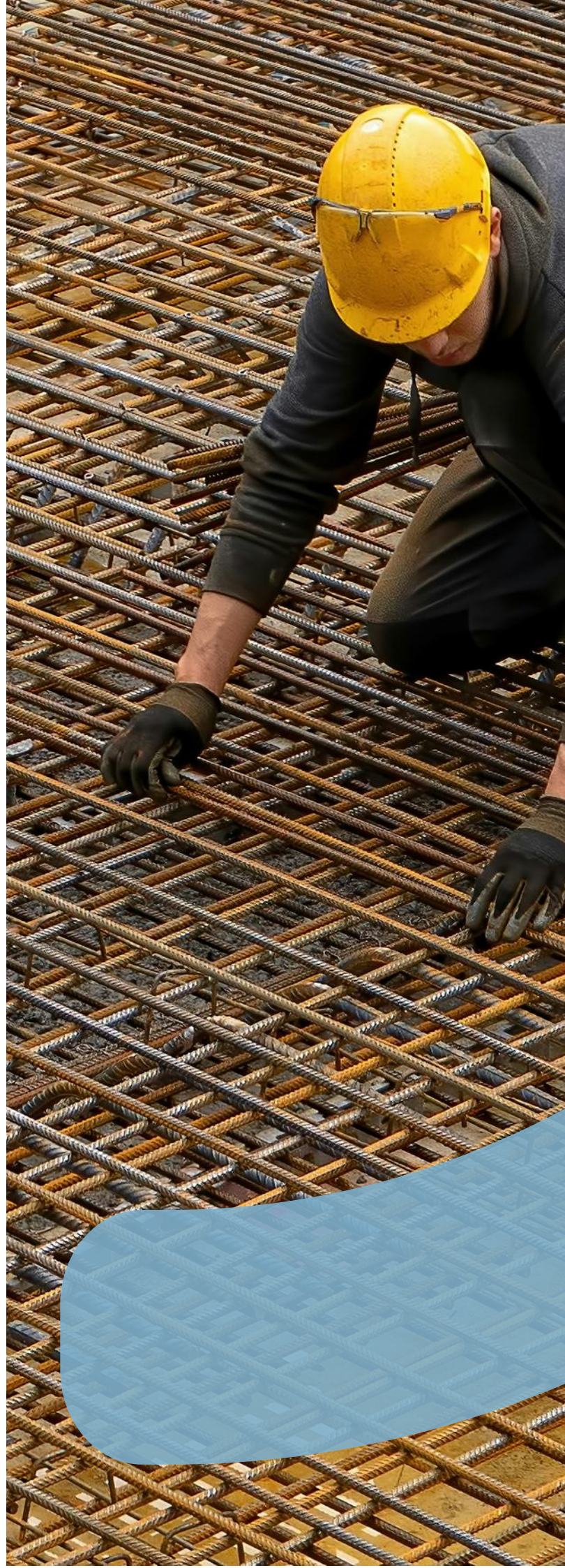
May 2026, June 2026 – Meetings

Reason for investment

U Ethical's Australian Equity Trust is invested in QBE Insurance Group (QBE) and Suncorp Group (SUN) as underlying earnings have been supported by premium rate increases, improved underwriting and higher investment yields. While premium rates have been softening, we believe the medium-term outlook for earnings growth remains solid with income and capital management also supported by strong capital positions.

Reason for engagement

In March 2026, the Australian Prudential Regulation Authority (APRA) released Mind the Gap: An Insurance Climate Vulnerability Assessment¹ (CVA), which examined the climate risk exposures to insurance companies with specific regard to impact on residential building insurance.



The APRA report concluded that around 25% of Australian households may be without home insurance protection by 2050. This represents not only a clear transition and physical risk to Australian households, it will also exacerbate financial inequality and potential wealth destruction of a significant number of people living in Australia, and also raises concern about amplification of prudential and financial risk for the Australian financial system, including the banks in which we are also invested. We spoke with companies in our portfolio on their actions to manage the risks to their underwriting business while maintaining affordability for Australian households.

U Ethical spoke with portfolio companies QBE and SUN, both of which were analysed as part of APRA's CVA. We sought greater clarity as to how the companies are addressing business risk, as well as their role in the wider financial system with regard to insurance affordability and economic equity.



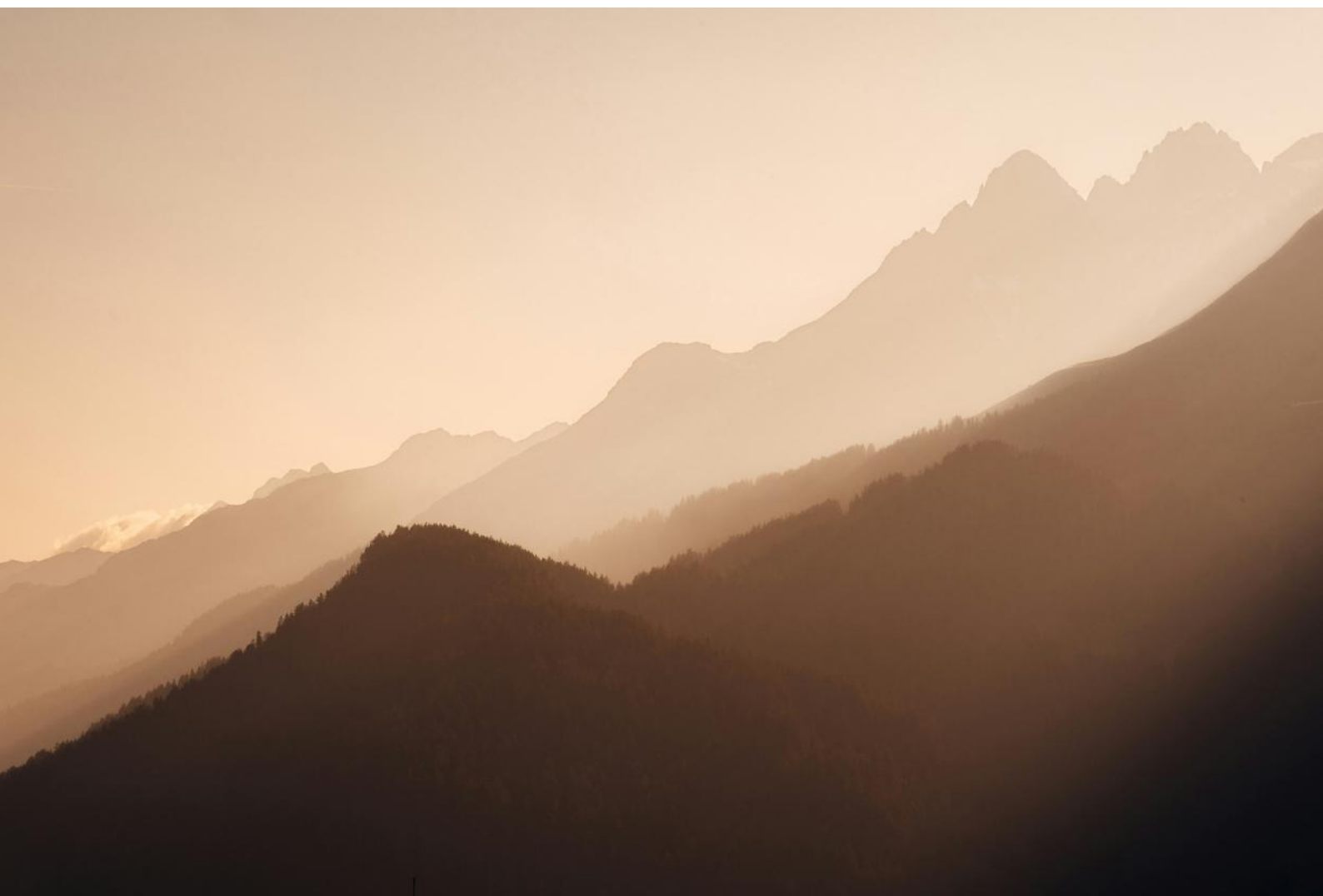
Progress or outcomes

QBE faced a shareholder resolution seeking enhanced disclosure around how climate risk will impact insurance underwriting and other business activities at its May 2026 AGM.

U Ethical voted for the shareholder resolution, which received support from 10.9% of shareholders.

We will continue to monitor how QBE and other insurers manage their exposure to climate risk as well as their role in the wider financial system with an eye to informing our votes at future AGMs. We will also use our engagements with companies to inform our advocacy to regulators such as ASIC and APRA as well as the federal government on issues relating to climate risk and insurance.

[1. Mind the Gap: An Insurance Climate Vulnerability Assessment | APRA](#)



COLLABORATIVE ENGAGEMENT

Australian banks and financing of the climate transition



Actions

July 2025, December 2025, June 2026
– Virtual Meetings, Letter

Reason for investment

U Ethical is invested in Australia's major banks – ANZ Group (ANZ), Commonwealth Bank of Australia (CBA), National Australia Bank (NAB), Westpac Group (WBC) and Macquarie Group (MQG). The major Australian banks provide an attractive fully franked income stream to investors. Reserve Bank of Australia cash rate hikes and budget changes to negative gearing have led to slower home lending, although business lending has remained solid. Bad debts have remained low and the banks have continued to focus on cost management to support earnings and dividends.

Reason for engagement

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 FY26, 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 in July 2025.

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

We also met with stakeholders such as Market Forces to gain clarity on the reasons behind shareholder resolutions at WBC and ANZ on transition plan assessments. U Ethical supported those resolutions put to WBC and ANZ. A shareholder resolution and also voted in favour of a shareholder resolution on enhanced climate risk exposure and management disclosures at Macquarie.





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 FY26 AGM shareholder votes on transition plan assessments/climate risk exposure and management disclosures.

Bank	Vote for
WBC	13.8%
ANZ	18.6%
MQG	17.8%





COLLABORATIVE ENGAGEMENT

Addressing modern slavery at portfolio companies and at systems levels



Actions:

Virtual meetings, face-to-face meetings, letters, consultation responses.

Reason for Engagement

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.

U Ethical engages with modern slavery and other human rights abuses through a variety of channels. We participate in collaborative groups such as Investors Against Slavery and Trafficking (IAST-APAC) and RIAA's Human Rights Working Group on the grounds that collaborative action across a broad range of portfolio companies leverages our impact more broadly.

We also advocate directly to state and federal government and governmental bodies on issues related to modern slavery and human rights. Because modern slavery is a persistent issue that is widespread through a significant number of industrial sectors and down their value chains, addressing issues on a company-by-company basis reduces individual investment risks, but reducing modern slavery more broadly requires using our voice to advocate for the regulatory and legislative reforms needed to find, fix and prevent instances from occurring.

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

In March 2026, Stewardship Manager Rachel Alembakis and Dr Zirnsak met with NSW Minister for Industrial Relations Sophie Cotsis to discuss recommendations made by U Ethical/UCA Vic.Tas/UCA NSW.ACT in a letter calling for introduction of labour hire licensing legislation to combat exploitative labour practices and modern slavery. Victoria and Queensland have similar legislation and NSW is considering its options to harmonise their jurisdiction.

During the meeting, Dr Zirnsak shared his expert views and Rachel reinforced investor desire for such legislation as a way of reducing systemic risk of labour exploitation and modern slavery, which are material financial risks as well as social harms. We will follow this process and offer our views to government where useful in the service of seeing this legislation brought to NSW Parliament.

Our engagement on modern slavery doesn't stop at company and government level - U Ethical has also been active across industry platforms, from the press to national conferences.

Rachel examined what's changed in the geopolitical landscape and what it means for Australian companies and investors in a new paper for The Journal of ESG Integration, published by FS Sustainability.

The 2026 RIAA Conference saw Rachel co-hosting a workshop on modern slavery engagement alongside Måns Carlsson OAM (Ausbil Investment Management), Karen McLeod (Ethical Investment Advisers) and Ethan Kusch (RIAA). The workshop had a practical goal: helping investors and advisers understand and apply the tools needed to engage companies in finding, fixing and preventing modern slavery – collaboratively and openly.

 [Link to article](#)



Progress or outcomes:

As state and federal governments consider reforms to modern slavery-related regulations and legislation, U Ethical will work with portfolio companies, collaborative bodies and our wider stakeholder network to promote our investment and ethical thesis for reducing the harms of human rights abuses.





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, and founding chair of the Australian Sustainable Finance Initiative, Simon led growth in sustainable finance across Australia and New Zealand. Simon has held key regional and global roles advancing responsible investment across sectors.

Simon is a director and advisor across banking and finance, including leading a Sustainable Finance Hub at the University of Melbourne, a Non Executive Director of Bank Australia, as well as a member of the Australian Government Financial Reporting Council.

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