

Te Hauwha Tuatoru | 3rd Quarter Report

Pipiri : 30 September 2024



TAHITO Te Tai o Rehua Fund

This communication is for information purposes only and does not represent an offer to invest in TAHITO.

30-Sep-24	Month	3 Mths	6 Mths	YTD	1 Year	2 Year	3 Years	Inception (p.a.)
Fund	0.4%	8.5%	2.5%	6.6%	13.0%	9.1%	2.8%	6.6%
Benchmark	2.0%	7.6%	4.1%	9.0%	15.5%	9.7%	3.7%	6.2%
Alpha	-1.6%	0.9%	-1.5%	-2.4%	-2.4%	-0.6%	-0.9%	0.3%

Benchmark - 50% NZX 50 Portfolio index (including imputation credits) / 50% ASX Accumulation 200 index (in NZD). Fund returns are after deductions for fees but before tax. Benchmark returns have no deduction for fees or tax.



TAHITO

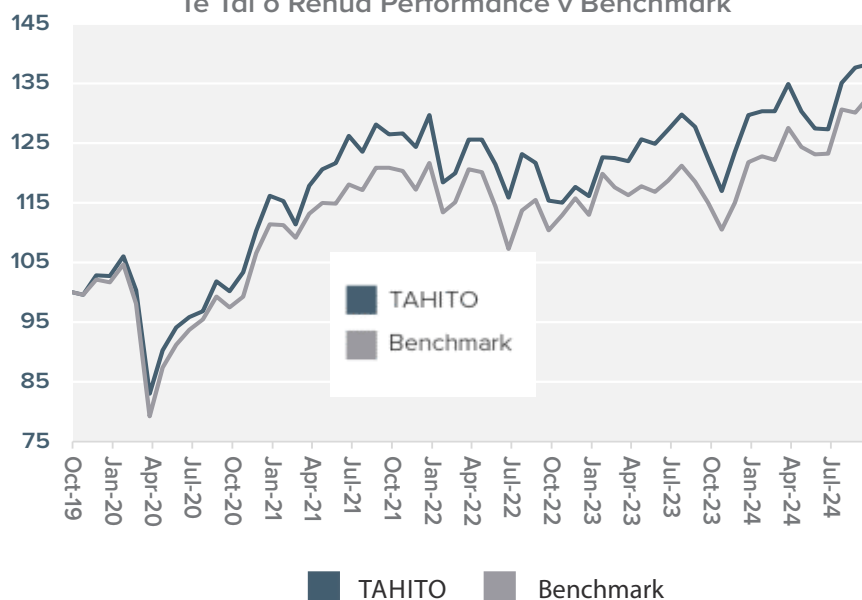


SUSTAINABLE PLUS
CERTIFIED BY RIAA

The TAHITO Te Tai o Rehua Fund has been certified and classified by the Responsible Investment Association Australasia according to the operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au and RIAA's Financial Services Guide for details.1

1. The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and needs and also consider the terms of any product disclosure document before making an investment decision. Certifications are current for 24 months and subject to change at any time.

Te Tai o Rehua Performance v Benchmark



TAHITO Motuhake | TAHITO Te Tai o Rehua Fund Performance

Te Tai o Rehua Fund showed a subdued performance for the month of September returning 0.4%, which was -1.6% behind the benchmark of 2.0%. In contrast the return for the third quarter to 30 September 2024 was much stronger at 8.5%, up 0.9% on the benchmark. The Australian share market outperformed NZ in September, as the NZX 50 was flat at 0.0% while the ASX 200 was up +3.5% (in NZD). Both markets were up over the September quarter, with the NZX 50 showing 6.4% and the ASX 200 up 7.2% (in NZD).

In September, New Zealand's share market remained flat as it absorbed the previous month's corporate earnings announcements. The month was marked by significant corporate activities, including Contact Energy's \$1.86 billion offer for Manawa Energy, and capital raises by Auckland International Airport and Fletcher Building, amounting to \$1.4 billion and \$700 million respectively. Manawa Energy saw a 26.3% increase in its share price following Contact's takeover offer, while Fonterra and A2 Milk also performed well, with gains of 13% and 12.7% respectively. The economic environment in New Zealand remains challenging, as evidenced by a -0.2% contraction in the economy over the three months ending in June. This contraction, although slightly better than expected, aligns with the pattern of the local economy fluctuating in and out of recession over the past few years. The

economy has contracted in four of the last seven quarters, resulting in a build-up of spare capacity and decreasing inflation pressures. Over the past year, the economy has contracted by -0.5%, and on a per capita basis, it is 2.7% lower than a year ago.

In contrast, Australian equities experienced a 3.0% gain in September, driven by higher commodity prices following a Chinese economic stimulus package. Copper and iron ore prices rose by 9.8% and 8.6% respectively. Among the larger stocks, resource companies such as Mineral Resources (29.6%), BHP (16.0%) and Rio Tinto (15.8%) performed exceptionally well. However, more defensive sectors and banks underperformed as investors shifted their focus to resources. Consequently, Commonwealth Bank of Australia and National Australia Bank saw declines of -2.9% and -2.1% respectively, following a period of strong relative performance and extended valuations.

In September, global sharemarkets rose by 2.0%, with gains of 5.0% over the last three months and 30.0% over the past year. The month was marked by volatility, particularly in the US S&P 500 index, which saw a 4.0% weekly decline followed by a 4.0% gain. Despite this, the S&P 500 hit its 42nd record high for the year and is up 36% year-over-year.

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TAHITO Fund Performance - Continued

European markets also reached record highs. Emerging markets, especially China, performed strongly, with Chinese shares up 21.1% due to economic stimulus measures. These included interest rate cuts and a US\$110 billion package to boost the stock market. Consequently, the CSI China 300 Index saw significant gains. Volatility was also influenced by Middle East tensions, affecting specific stocks like Boeing and Caterpillar. Larger cap stocks, particularly the “Magnificent 7” tech giants, drove much of the S&P 500’s gains. The US utilities sector and global listed infrastructure also performed well due to lower interest rates.

September quarter Performance: The MSCI World (incl. emerging markets) was up 5.0%, S&P 500 +5.9%, the Nasdaq 100 +2.1%, Euro Stoxx 50 +2.4%, UK FTSE 100 +1.8%, and the Chinese CSI 300 +17.9%. Japan Nikkei 225 was down -3.5%.

The key movers in the TToR Fund during the month were:

- Sims Ltd +15.9% (in NZD). Sims’ share price increased following a promising FY25 trading update. The company reported strong performance in its North American Metal (NAM) division, which delivered an estimated EBIT of \$29 million with a trading margin of 22%. This improvement was attributed to strategic efforts to focus on margin, including purchasing more unprocessed material and targeting favourable markets. Additionally, Sims’ 50% share in SA Recycling contributed an estimated EBIT of \$24 million.
- Meridian Energy -3.7%. The company scrambled to cover the drought conditions, contracting off Contact for the August to October period and paying up for the normal and extra demand response from Tiwai. Having paid elevated prices for the risk cover at the height of the drought and with wholesale prices retracting following the ensuing rainfall, Meridian made sizable losses on its risk mitigation.
- Spark NZ Ltd -11.5%. Spark’s earnings were weak due to low demand from corporate and government customers. There are also concerns around the sustainability of their dividend (which is a key attraction for many investors). Downwards momentum also continued following the CFO’s resignation and investors positioning for it to be removed from a MSCI Index.

Good news regeneration (te whakahau) stories from Mahuru - September 2024:

- Major new UN pact reaffirms global commitment to transition away from fossil fuels: A blueprint for addressing some of the world’s biggest challenges was agreed on by the UN General Assembly with climate change one of the headline topics. It was adopted during the opening of a two-day ‘Summit of the Future’ called by UN Secretary-General Antonio Guterres who thanked world leaders and diplomats for unlocking “the door” to a better future.
- ‘Exciting’ solar breakthrough means energy can be kept in sustainable batteries that don’t overheat. Making sure solar energy can be stored is key to taking the renewable to the next level, according to UK think tank Ember. But - among other challenges - many batteries are made from unsustainable materials, and have a tendency to overheat. Researchers have developed a new hybrid solar storage device that combines a silicon solar cell with a molecular solar thermal energy storage system (MOST). This technology can store solar energy for up to 18 years and is made from sustainable materials, unlike traditional batteries. The device also provides cooling to the photovoltaic cell, improving its efficiency. This innovation could help reduce our reliance on fossil fuels and minimize the environmental impact of battery storage.
- A study using AI to identify individual kākā has secured a \$1 million funding boost. This project is part of a broader initiative exploring the potential of artificial intelligence for positive societal impact. Dr Rachael Shaw and AI lecturer Andrew Lensen are collaborating on this innovative research. Their goal is to streamline the process of monitoring bird populations. Lensen noted that the expanding kākā population has made it increasingly challenging to track individual birds beyond the Zealandia sanctuary in Wellington.
- Celebrating 40 years of Te Māori: The Te Māori exhibition, which opened in New York City in 1984, was a pivotal moment for Māori culture. It not only showcased Māori art and artifacts to a global audience but also sparked a cultural resurgence in New Zealand. The exhibition’s impact was particularly significant in preserving ancient traditions like karakia (chanted prayers) and inspiring new knowledge and creativity. Te Māori’s success has also served as a model for other Indigenous cultures seeking to repatriate their cultural heritage.

Te whakatika o te Ngaro Taiao | Tackling Nature Loss

A new report by WWF New Zealand and EY New Zealand reveals that protecting nature in Aotearoa New Zealand could yield significant economic benefits. By 2080, investing in biodiversity conservation could save the country an estimated NZD \$272 billion.

This would be achieved by mitigating the negative impacts of nature loss on industries like agriculture and tourism while enhancing the country’s reputation as a clean and green destination. The report emphasises the need for increased government investment in nature-based solutions to address climate change and biodiversity loss, as these actions can provide both environmental and economic advantages.

[Read the full report here](#)

Te Whakaaturanga Tahua | Fund Description

Putting Environment and People before profit: The TAHITO Te Tai o Rehua is a values led ethical and sustainable Australasian equities fund for investors who want competitive market returns but equally would like to see their capital applied to a high ethical standard and in investments that are making a positive social and environmental impact.

TAHITO Te Tai o Rehua provides a holistic accountability on wellbeing using ethical and sustainable screens derived from Māori indigenous values. Māori values and ethics place people and the environment in high priority. This thinking is derived from the ancestral Māori worldview, which can be described as a holistic socio-ecological system that centres on the connection and interrelationship of all things. The process is called 'Te Kōwhiringa Tapu' which translates to 'Careful Selection'.

Te Kōwhiringa Tapu investment process integrates ESG on a values basis and applies a positive scoring system. The fund measures 'Aroha Connection', because the stronger the Aroha the better the Mauri. We are effectively measuring 'behaviour change', the transition of companies from the 'substantive', internally focused, very self-absorbed behaviours, to the ideal 'relational', externally connected, collective behaviours. This requires ethically strong and committed governance with a clear drive toward long-term sustainability to enhance financial returns.

Expanding on the ESMA Guidelines and their Implications

The European Securities and Markets Authority (ESMA) Guidelines represent a significant step towards enhancing transparency and consistency in the sustainable finance space. By requiring funds to align their names with specific exclusion criteria, the Guidelines aim to prevent misleading marketing and ensure that investors have a clear understanding of the underlying investments. However, the practical implementation of these Guidelines can be complex. Data limitations and the evolving nature of the fossil fuel industry can make it challenging to accurately identify companies that should be excluded. Fund managers may face difficulties in balancing the need to comply with the Guidelines while maintaining satisfactory returns for their investors.

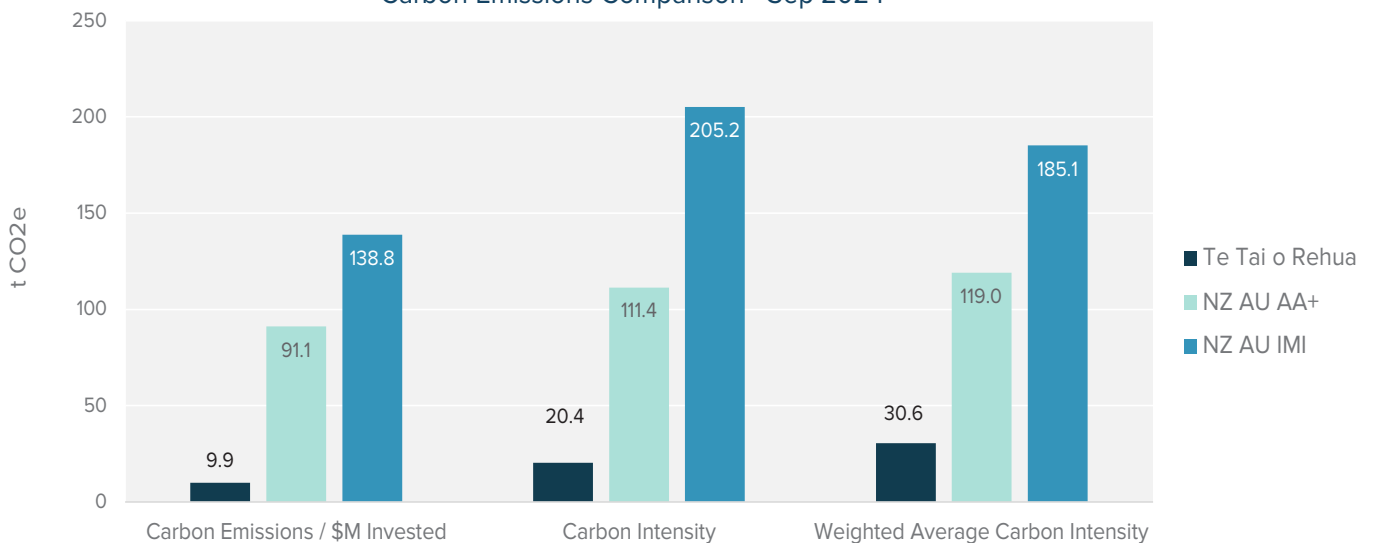
In addition to the direct impact on European funds, the ESMA Guidelines could have broader implications for the global investment landscape. As investors increasingly demand sustainable investment options, these Guidelines may influence the development of similar standards in other jurisdictions. This could lead to a more harmonised approach to sustainable finance, which could benefit both investors and fund managers.

For New Zealand investors and fund managers, the ESMA Guidelines signal a shift towards a more sustainable investment landscape. As global trends in sustainable finance evolve, New Zealand will need to adapt its domestic regulations and practices to align with international standards. This could involve developing clearer definitions of sustainability, enhancing disclosure requirements, and promoting the integration of ESG factors into investment decision-making.

Overall, the ESMA Guidelines represent a significant development in the field of sustainable finance. While they present challenges for fund managers, they also offer opportunities for innovation and growth. By embracing these Guidelines and promoting sustainable investment practices, New Zealand can position itself as a leader in the global transition to a more sustainable economy.

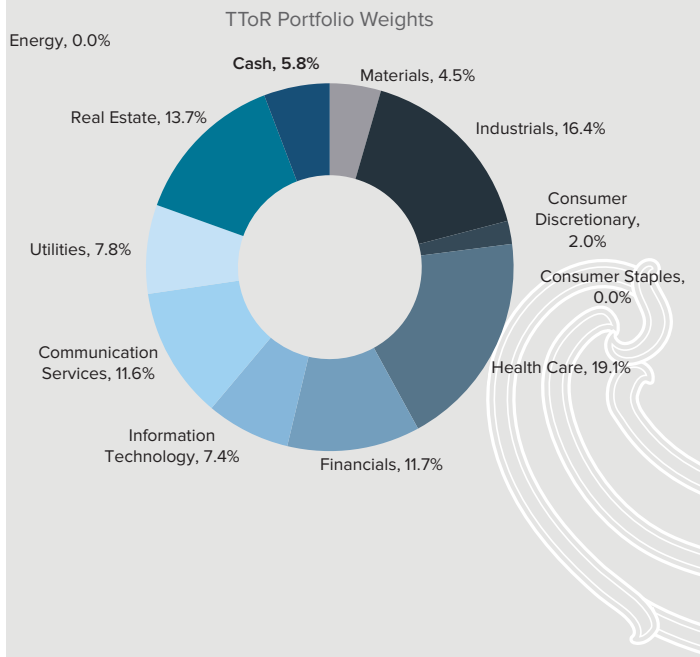
[Read the full report here](#)

Carbon Emissions Comparison - Sep 2024



The carbon emissions in Te Tai o Rehua Fund are 87% lower than all NZ AU MSCI listed equities with a AAA or AA ESG rating. Carbon intensity is 80% lower and weighted average carbon intensity is 75% lower. (NZ AU AA+ = New Zealand and Australian equities with and ESG rating of AA or better) (NZ AU IMI = The Morgan Stanley New Zealand and Australia Investible Market Index).

TAHITO Te Tai o Rehua Portfolio Weights



Ngā āhuatanga motuhake o te Tahua Key features of the fund

- Positive ethical screening
- Low carbon foot print
- Holistic sustainability measures
- High ESG quality
- Active management
- Experienced team
- Environmental & social impact
- Competitive fees

Top 5 Investment Holdings	Sector	T-Score	V-Score	Mkt Cap \$NZbn	Weight
Meridian Energy	Electricity NZ	6.9	5.8	15.6	7.8%
Spark New Zealand	Telecommunications	6.1	5.7	5.6	5.8%
Brambles	Commercial Services	5.8	6.0	26.0	5.4%
Summerset	Retirement NZ	5.0	5.3	2.8	4.7%
Sims Metal Management	Metals & Mining	6.0	5.3	2.5	4.5%

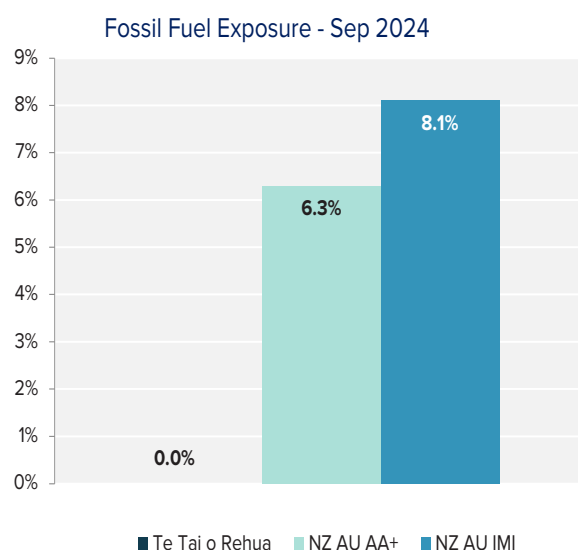
Te Kura Whakangao | Investment Philosophy

The TAHITO investment philosophy focuses on providing high quality ethical and sustainable investment services to investors. It is based on the following principles:

1. We are ethical investors. We actively seek companies that are well run and meet our stringent Māori ethical screening tests.
2. We have a disciplined approach to risk management.
3. We actively manage the portfolio, enabling quick assessment and reaction to adverse changes.
4. We look for long term sustainable growth potential and a willingness to change and engage new tech.
5. We take a long-term view.
6. We are values-based investors. We invest in quality companies that are serious about their ethics and committed to low environmental impact and a high-level of social and corporate responsibility.
7. All securities undergo fundamental valuation and financial quality analysis.
8. We integrate MSCI Environmental Social and Governance (ESG) research on a values basis in our ethical screening.

TAHITO | Portfolio Analysis as at 30 September 2024

Risk	TAHITO TToR	Benchmark	Difference
Total Risk	13.3	12.4	0.9
Tracking Error	5.1		
Beta	0.99	1.00	-0.01
No. of Stocks	29	251	-222
Active share	72%		
Aggregate Statistics: Value	TAHITO TToR	Benchmark	Difference
Dividend Yield	3.5%	3.5%	0.0%
Earnings Yield	4.6%	5.1%	-0.6%
Quality			
High Quality	33.3%	22.9%	10.4%
ROE	4.3%	5.8%	-1.5%



TAHITO Engagement and Proxy Voting

Whakarāpopototanga | Summary

FPH - Fisher & Paykel Healthcare: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The FPH Board has only three women out of nine members. Based on our gender equity principle TAHITO voted against the re-election of Sir Michael Daniell and against the election of Graham McLean. FPH should be increasing the number of female board members. TAHITO voted against the issue of performance share rights and the issue of options to Lewis Gradon based upon our equity principle. FPH has a high wage ratio of 35 to 1. It is the view of TAHITO that wage disparity in corporates, sports and other areas are a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted for the Directors to fix auditor fees and expenses.

GMT - Goodman Property Trust: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The GMT Board has only two women out of seven members. TAHITO supports the re-election of Laurissa Cooney and Leonie Freeman. TAHITO abstained on the reappointment of David Gibson, as GMT should be increasing the number of female board members. TAHITO voted against the remuneration payable by the Manager to Directors based upon our equity principle. GMT has a reasonable Non-Executive Director remuneration entitlement, less than two times the median salary, but the Chair's rem is greater than a multiple of three. It is the view of TAHITO that wage disparity in corporates, sports and other areas are a significant contribution to global inequity. For large companies, ideally the difference between the median wage and Director remuneration should be no more than a multiple of two for non-exec Directors and three for the Chairperson.

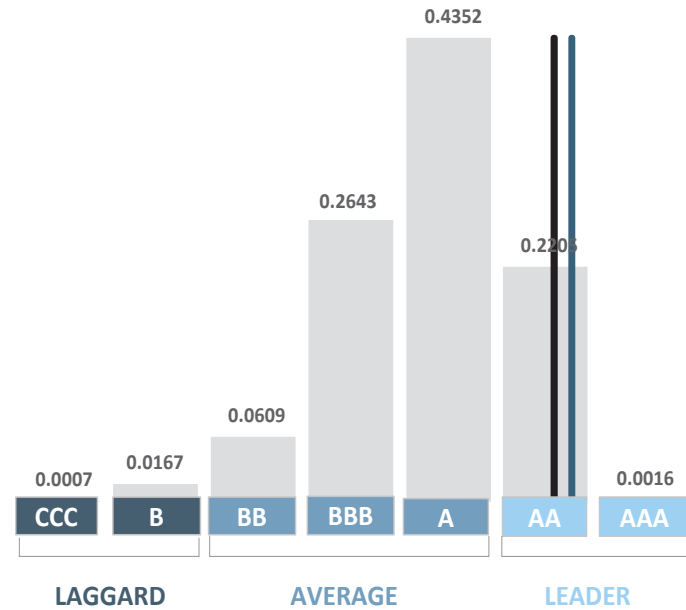
XRO - Xero Limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The XRO Board has near parity with three women out of eight members. TAHITO supports the re-election of Steven Aldrich and Dale Murray. TAHITO voted against the remuneration report based upon our equity principle. XRO has an extremely high wage ratio of 241 to 1. It is the view of TAHITO that wage disparity in corporates, sports and other areas are a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted for the auditors fees and expenses.

ALQ - ALS Limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The ALQ Board has three women out of nine members. ALQ should be looking to increase female representation. TAHITO supports the re-election of Erica Mann. ALQ has a very high wage ratio of 48 to 1, based upon our equity principle (an ideal wage ratio of 1 to 10). TAHITO voted against the remuneration report, against the increase in fee pool for Non Executive Directors and against the grant of performance rights to Malcolm Deane. In 2023 more than 25% of the shares voted against the remuneration report, triggering the potential for a spill meeting should the vote against the Rem report exceed 25% again in 2024. TAHITO voted for the Spill Meeting, effective supporting changes to the Board should the more than 25% vote against the Rem report.

CO2 - Carbon Fund: Presentation and discussion on the Carbon Fund and Carbon Markets with Paul Harrison.

MSCI ESG | Fund Metrics Distribution

Coloured bars correspond to portfolio and benchmark ESG Quality Scores



MSCI ESG Quality Score (out of 10)
TTor Portfolio
8.02
Primary Benchmark
8.35

Te Tai o Rehua Fund ESG summary

PORTFOLIO Weighted Avg ESG Score Portfolio 8.02 Te Tai o Rehua Fund	MSCI ESG Ratings
Benchmark 8.35 MSCI NZ AU AA & AAA ESG Rating	

PORTFOLIO ESG Rating Summary	
ESG Quality	Leader 3.9% below benchmark
ESG Ratings Distribution	Leaders 27.6% under benchmark Portfolio Laggards% = Benchmark Laggards%
ESG Ratings Momentum	Upward momentum 4.4% under benchmark Downward momentum 7.1% over benchmark

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Australian Ethical Investment Limited (AEF)

Whakarāpopototanga | Summary

Taumata: Leadership in Responsible Investing

AEF's commitment to responsible investing is recognised both domestically and globally. Holding a Tahito score of 5.5 (out of 10) with strong commitment to climate change, environmental efforts and governance quality, AEF stands as a leader in its field. This commitment is further validated by its 'AA' MSCI ESG rating, placing AEF among the top tier of companies assessed for their environmental, social, and governance practices.

Australian Ethical Investment Limited Score	
Women Directors	66.7%
Women in Executive roles	50.0%
\$M Donations and community grants	\$1.12
% of NPAT to community grants	16.9%
Has achieved Carbon Neutral (CO2 only, Y/N)	Y
Target date for carbon neutral if N	Achieved
Has set target for Net zero scope 1,2 (Y/N)	Y
Target date for Net zero Scopes 1&2	2040
Has set target Carbon Net zero Scopes 1,2 &3 (Y/N)	Y
Target date for Net zero Scopes 1,2 & 3	2040
Scopes 1&2 Carbon Emissions - Key *	Reported
Scope 1+2 (metric tons) *	0
Scope 1+2 Intensity (t/USD million sales) *	0.0
Scope 3 Carbon Emissions - Key *	Estimation model
Scope 3 - Total (combined dataset) *	7,676
Scope 3 - Total Sales Intensity (combined dataset) *	142.2
Total GHG Emissions (Scopes 1, 2 and 3) *	6,921

Funds Management	Score
T-score	5.5
ESG Rating	AA
Wage Ratio (multiple of median wage)*	17
Qualitative TAHITO Community Score	9.0

Carbon intensity +tons / \$M sales

* CEOs salary divided by the median wage

Australian Ethical Investment Limited (AEF)

AEF is a Funds Management – Financial Services Company. The company is the responsible entity for a range of public offer ethically managed investment schemes and the Trustee of the Australian Ethical Retail Superannuation Fund (Super Fund). They manage a portfolio of ethical investments that support society and the environment such as recycling, renewable energy, complementary healthcare, education, and bio-diversity.

AEF aims to create positive change by investing ethically and sustainably. Their purpose is to manage investments that align with ethical values, focusing on the wellbeing of people, communities, and the planet. They believe that ethical investing can lead to significant positive impacts and encourage more people to take control of their financial wellbeing while supporting social and environmental causes

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Australian Ethical Investment Limited (AEF) - Continued

Notable achievements and targets for AEF:

- Carbon Neutral: 100% offsetting of reported operational Scope 1, 2 & 3 emissions.
- 10% of yearly profits donated through the Foundation (after tax and before bonuses)
- 100% of investments ethically evaluated (Subject to Ethical Assessment framework)

Resilience and Performance in Challenging Times

Australian Ethical Investment Limited (AEF) demonstrated remarkable resilience and delivered robust financial performance in 2023 FY. By staying true to its core values of ethical investing, AEF surpassed financial benchmarks and achieved record Funds Under Management (FUM) of \$9.2 billion. This growth signifies investor confidence in AEF's unique philosophy and also the long-term stability and value proposition of its investment approach.

Driving Positive Change: Stewardship with Impact

AEF prioritises driving positive change in the world. CEO Paul Smyth emphasises the unwavering commitment to core values while navigating turbulent markets. Without compromising on its ethical screening criteria, AEF delivered positive returns for investors while outperforming the broader market on a risk-adjusted basis. AEF actively engages with portfolio companies on ESG issues, fostering positive change in areas of critical importance. Moreover, AEF's investments in innovative companies addressing pressing global challenges reflect a forward-thinking approach that marries financial success with positive social and environmental impact.

The core products and services intentionally and principally focus on delivering positive impact. All AEF products follow their ethical criteria. They restrict investments in negative activities like fossil fuels, nuclear, tobacco, and support positive ones in renewables, healthcare, IT and more. Their in-house Ethics team applies their ethical criteria to navigate complex ethical issues raised by investments across the economy.

Key Highlights of FY2023:

- Financial Strength: Underlying profit after tax increased by 15% to \$11.8 million, and earnings per share rose by 14% to 16.7 cents.
- Rewarding Shareholders: AEF increased its dividend payout ratio to 90%, and declared a final dividend of 7.5 cents per share, bringing the total annual dividend to 15 cents per share, a 25% increase from FY2022.
- Investing for a Better World: AEF's funds and options demonstrate a 77% lower carbon intensity, 2.3 times more revenue from sustainable impact solutions, and 4.6 times more investment in renewables and energy solutions compared to the benchmark.
- Active Engagement: AEF engaged with over 250 companies on ethical issues, voted on over 2,000 resolutions, and divested from five companies on ethical grounds.
- Industry Recognition: AEF stands as one of only eight global leaders in ESG Commitment by Morningstar and holds the highest score of any B Corp in Australia and Aotearoa New Zealand.
- Social and Environmental Impact: AEF Foundation allocated \$1.1 million to not-for-profits in FY2023, further strengthened by community partnerships, advocacy, and volunteering initiatives.

AEF's Commitment to Climate Action:

Recognising the Urgency: AEF understands the severity of climate change and its commitment to addressing it is resolute.

Aligned with the Paris Agreement's goal of limiting global warming

to 1.5°C, AEF actively integrates climate considerations into its investments and operations.

Ambitious Net Zero Targets: AEF has set ambitious targets for achieving net zero emissions across its investment portfolio by 2040 and own operations by 2025. This roadmap demonstrates a clear dedication to mitigating its environmental footprint, both present and future.

Taking Action: AEF's commitment goes beyond setting goals. It has implemented tangible actions to reduce its carbon footprint, such as switching to 100% renewable electricity, minimising business travel, and offsetting residual emissions through verified carbon credit projects.

AEF provides impact in the financial markets through their commitment to ethical and sustainable investing. As a leader in the financial markets, they are driving the transition to higher ethical and sustainable investing and are committed to sustainability and responsible investing that aligns with global goals.

Transparency and Accountability: AEF recognises the importance of transparency and accountability in its climate action journey. It utilises the Task Force on Climate-related Financial Disclosures (TCFD) framework to report on its climate-related risks and opportunities, governance, strategy, metrics, and targets. Additionally, AEF discloses its portfolio alignment with the Paris Agreement using the Paris Agreement Capital Transition Assessment (PACTA) tool.

Scope 1, 2, and 3 Emissions: AEF measures and reports its greenhouse gas emissions across all scopes, adhering to the Greenhouse Gas Protocol and the Australian National Greenhouse and Energy Reporting System. While there was a slight increase in scope 1 and 2 emissions due to natural gas usage, AEF actively offsets these emissions alongside its entire scope 3 emissions, primarily driven by business travel as COVID-19 restrictions eased.

Future Commitments and Targets: AEF has set interim targets to reduce its scope 1 and 2 emissions by 50% and scope 3 emissions by 30% by 2030, compared to a 2019 baseline. These interim targets demonstrate a continuous drive towards ambitious long-term goals.

Achieving Net Zero: AEF's path to net zero involves a multi-pronged approach. The company plans to increase energy efficiency, shift to renewable energy sources, reduce waste and paper usage, promote low-carbon travel options, engage with stakeholders, and invest in climate solutions. Additionally, AEF will continue offsetting unavoidable emissions with high-quality carbon credits that deliver positive social and environmental co-benefits.

Monitoring and Verification: AEF is committed to transparent monitoring and verification of its progress towards its net zero targets. It actively seeks external verification and assurance and participates in industry initiatives like the Investor Group on Climate Change, the Climate Action 100+, and the Finance for Biodiversity Pledge to advocate for stronger climate action and policy changes.

Beyond CO2: Recognising the broader impact of greenhouse gases, AEF also addresses non-CO2 emissions like methane, nitrous oxide, and fluorinated gases. While not directly emitting significant amounts of these gases from its own operations, AEF factors them into its carbon footprint calculations and offsetting strategies. Additionally, AEF assesses and monitors the non-CO2 emissions of its investee companies, taking action to exclude or divest from high-emitting companies or encourage them to reduce their emissions and adopt best practices.

AEF's commitment to climate action is clear and comprehensive. Its ambitious targets, concrete actions, and transparent reporting mechanisms showcase a deep understanding of the climate crisis and a genuine dedication to being part of the solution. Continued ...

Australian Ethical Investment Limited (AEF) - Continued

By actively managing its emissions, engaging with stakeholders, and advocating for policy changes, AEF continues to be a leader in responsible investing and a driving force for a more sustainable future.

Cultivating a Diverse, Inclusive, and Thriving Workplace

Championing Equity and Diversity: AEF recognises the inherent value of a diverse and inclusive workplace, ensuring it mirrors the richness of its clientele and the broader community. This commitment is enshrined in their Diversity and Inclusion Policy and Reconciliation Action Plan, guiding their initiatives and actions towards a more equitable environment. AEF meticulously tracks and reports on its diversity metrics, encompassing gender, age, ethnicity, disability, and LGBTQIA+ representation, setting ambitious targets for continuous improvement. To foster awareness and understanding, AEF actively supports various employee networks and events, celebrating diversity and promoting education within the organisation.

Leading the Way in Gender Equality: As a signatory to the Women in Finance Charter and the 30% Club, AEF sets a high bar for itself, aiming for 50% female representation at both the Board and leadership team levels. In FY2023, they surpassed this objective at the Board level, with 67% female directors, and achieved parity at the leadership team with 50% female members. Furthermore, AEF takes transparency and accountability seriously, reporting their gender pay gap, which stood at 9.8% in FY2023. To bridge this gap, AEF has implemented several measures, including pay equity reviews, flexible work arrangements, and generous parental leave policies.

Investing in Employee Growth and Development: AEF prioritises continual learning and development. A comprehensive array of learning and development programs is offered, encompassing online courses, coaching, mentoring, and leadership development initiatives. Supporting further education and professional qualifications is also a key focus, with AEF providing study leave and financial assistance to aid employees in their pursuit of knowledge and expertise. To ensure alignment and motivation, AEF utilises a performance management system that links individual goals with the company's strategic objectives and core values. Consistent feedback and recognition mechanisms add further value to the employee experience.

Fostering a Supportive and Rewarding Environment: AEF understands the importance of holistic well-being and offers a variety of benefits to cater to the needs of its employees and their families. These include generous superannuation contributions, health and wellbeing programs, an employee assistance program, volunteer leave, domestic violence leave, and access to discounted ethical products and services. AEF's parental leave policy demonstrates their commitment to family life, providing 14 weeks of paid leave for primary carers and four weeks for secondary carers, regardless of their gender or tenure. Recognising the value of work-life balance, AEF empowers its employees with flexible work options, including part-time, remote, and compressed work arrangements, allowing them to tailor their workstyles to suit their individual needs.

Driven by Values, Vision, and Purpose: AEF's core values – wisdom, authenticity, action, and empathy – serve as the guiding principles for their organisation. Their vision paints a vibrant picture of a world where finance becomes a force for good, while their purpose, "investing for a better world," underscores their commitment to both financial success and positive societal impact. By aligning their culture, strategy, and decision-making processes with these values, vision, and purpose, AEF ensures that every action contributes to their ethical journey. Engaging employees and stakeholders in this process further strengthens their commitment to building a more equitable and sustainable future.

Maintaining Ethical Standards: AEF sets a high bar for ethical conduct

through their established Code of Conduct. This document outlines the expected behaviour and standards for employees, directors, contractors, and consultants, encompassing topics like ethical decision-making, conflict of interest management, confidentiality, privacy, anti-bribery and corruption measures, whistleblowing procedures, and compliance with relevant regulations. AEF actively provides training and guidance on the Code of Conduct, encouraging employees to report any concerns or potential breaches. Furthermore, they diligently monitor and review their adherence to the Code and other pertinent policies, ensuring unwavering commitment to ethical practices.

By prioritising diversity, inclusivity, employee development, and ethical conduct, AEF fosters a thriving workplace that attracts and retains top talent, contributing to their overall success and reinforcing their position as a leader in responsible investing.

Investing in a Better World, Beyond Just Financial Returns

Australian Ethical Investment Limited (AEF) extends its commitment to positive impact beyond its investment portfolio, actively engaging with and supporting communities at various levels. This dedication manifests through several impactful initiatives:

The AEF Foundation: Serving as the philanthropic arm of AEF, the Foundation channels 10% of annual profits to empower not-for-profit organisations dedicated to improving the lives of people, animals, and the planet. In FY2023, the Foundation generously allocated \$1.1 million for grants and impact investments, supporting 18 impactful organisations across four key areas: climate action, human rights, animal welfare, and conservation. These contributions enable critical work addressing some of the world's most pressing challenges.

Community Giving: AEF empowers its customers and employees to become active participants in positive change through numerous initiatives. The Workplace Giving Program allows employees to donate directly from their salaries to designated charities, while the Community Grants Program provides financial support to grassroots organisations tackling local issues. Additionally, the Ethical Partners Program fosters partnerships with like-minded businesses, amplifying collective impact. In FY2023, the combined efforts of AEF customers, employees, and partners translated into over \$400,000 donated to various causes, further enhanced by AEF's generous \$100,000 in matching donations.

Encouraging Charity Support and Volunteering: AEF recognises the power of individual volunteerism and actively encourages its employees to contribute their time and skills to causes they care about. Offering paid leave up to two days per year specifically for volunteering, AEF empowers its team to make a tangible difference in their communities. In FY2023, AEF employees generously volunteered over 300 hours across 12 different charities, showcasing their dedication to giving back. Additionally, AEF sponsors and participates in various charity events throughout the year, such as the Mother's Day Classic, the RSPCA Cupcake Day, and the CEO Sleepout, further deepening its engagement with the communities it serves.

Commitment to Māori, First Nations, and Indigenous People: AEF acknowledges the traditional custodians of the lands on which it operates and is committed to reconciliation and social justice for First Nation and Indigenous communities. In FY2023, AEF took a significant step by developing and launching its first Reconciliation Action Plan (RAP). This comprehensive document outlines the company's commitments and actions to build positive relationships, create opportunities, and foster respect with Aboriginal and Torres Strait Islander peoples.

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Australian Ethical Investment Limited (AEF) - Continued

Moreover, AEF supports Indigenous-led organisations and projects through its Foundation and investment portfolio, partnering with entities like the First Nations Foundation and the Indigenous Land and Sea Corporation.

Building Meaningful Partnerships: AEF recognises the power of collaboration and actively partners with organisations and networks aligned with its vision of "investing for a better world." Maintaining memberships and certifications with leading responsible investment bodies like the Responsible Investment Association Australasia (RIAA), the Principles for Responsible Investment (PRI), and the Global Impact Investing Network (GIIN) allows AEF to share best practices, learn from others, and amplify its impact. Signing on to investor statements and pledges on key sustainability issues, such as climate change, biodiversity, human rights, and deforestation, demonstrates AEF's commitment to collective action and advocacy. Additionally, AEF collaborates with other investors, NGOs, and stakeholders to engage with companies and governments on ethical and ESG matters, driving positive change through dialogue and active participation.

Through these multifaceted initiatives, AEF goes beyond financial returns, weaving a tapestry of positive impact that extends far beyond its own investments. By nurturing a culture of philanthropy, volunteering, and ethical partnerships, AEF empowers its customers, employees, and partners to become agents of change, collectively shaping a brighter future for people, animals, and the planet.

A Legacy of Excellence in Ethical and Sustainable Investing

AEF continues to solidify its position as a leader in the ethical and sustainable investment landscape, evidenced by its recent achievements, awards, and recognitions:

Record-Breaking Accomplishments:

- **Highest B Corp Score:** AEF achieved a remarkable score of 168.5 in its B Corp recertification, placing it at the top of the 560+ Certified B Corps in Australia and Aotearoa New Zealand as of July 2023. This exceptional score speaks volumes about AEF's commitment to social and environmental responsibility, embedded throughout its operations and investment philosophy.
- **Successful transfer of Christian Super:** AEF seamlessly integrated Christian Super into Australian Ethical Super, welcoming approximately 28,000 new customers and adding \$1.93 billion to its funds under management. This successful SFT demonstrates AEF's ability to navigate complex transactions while expanding its reach and impact.
- **Diversification and Expertise:** AEF launched its new Moderate Fund, catering to investors seeking a balanced approach to ethical investing. Additionally, they established a dedicated team to serve values-aligned organisations, highlighting their commitment to tailoring solutions for diverse clientele.

Te Pārongo Ahumoni | Financial Information

Website: <https://www.australianethical.com.au>

Ticker: AEF

Market Capitalisation (MM): **\$396.52**

Business description:

Australian Ethical Investment Limited is an Australia-based company, which acts as a company for a range of public offer ethically managed investment schemes and acts as the trustee of the Australian Ethical Retail Superannuation Fund. The Company does not invest in companies whose main business is fossil fuels, or in diversified companies that earn some fossil fuel revenue and aren't creating a positive impact with their other activities. It may invest in a diversified company, which is having a positive impact in other ways, such as producing renewable energy. The Company offers managed funds, super, pension, and exchange traded fund (ETF) products. The Company's progressive and ethical funds include high conviction fund, Australian shares fund, emerging companies fund, balanced fund, diversified shares fund, high growth fund, income fund, fixed interest fund and international shares fund. It offers six pension ethical investment options.

- **Strengthened Investment Capabilities:** AEF strategically bolstered its investment leadership by appointing a new Chief Investment Officer and Head of Impact and Ethics. This enhances their asset allocation methodology and ensures informed, impactful investment decisions aligned with their ethical principles.

Prestigious Awards:

- **Superannuation Excellence:** AEF's superannuation products garnered various accolades, including SuperRatings Gold 2023 for MySuper, MyChoice, and Pension. Additional recognitions include Funder Green Superannuation Fund of the Year 2020-2023, Financial Newswire Fund Manager of the Year 2022, and ProductReview.com.au Best Retail Super Fund 2023. These awards showcase AEF's consistently high performance and dedication to customer satisfaction within the superannuation sector.
- **Investment Performance Recognition:** AEF's individual investment funds also received well-deserved recognition. Money Magazine's Best of the Best 2022 for the Australian Ethical Diversified Shares Fund highlights the superior performance of their investment strategies.

Global Recognition as a Leader:

- **ESG Commitment Leader:** AEF earned prestigious recognition from Morningstar as a global leader in ESG commitment, achieving the coveted ESG Commitment Level: Leader rating. This places AEF amongst only eight asset managers worldwide to receive this distinction, affirming their dedication to integrating ESG considerations into their core investment approach.
- **Sustainability and Responsible Investment Leadership:** AEF further solidified its reputation as a responsible investment leader through recognitions such as RIAA's Responsible Investment Leader 2023 and Financial Review's Sustainability Leader 2022. These accolades signify AEF's consistent commitment to responsible investment practices and sustainable outcomes.
- **Top Ratings and Certifications:** AEF maintained its commitment to best practices by retaining its certifications with RIAA, PRI, and B Corp. Additionally, it received the Rainmaker ESG Leader Rating 2022-2023 and the SuperRatings Infinity rating in 2022 for its superannuation products, demonstrating sustained excellence across various evaluation frameworks.

AEF's impressive achievements, awards, and recognitions paint a clear picture of a company deeply committed to its ethical and sustainable investment philosophy. Their track record of outstanding performance, continuous innovation, and unwavering dedication to social and environmental responsibility solidify their position as a leader in the industry. Looking ahead, AEF's unwavering commitment to excellence and responsible investing promises to continue driving positive change within the financial landscape.