Australian Ethical

ASX Announcement

Appendix 4E

For the year ended 30 June 2024

Australian Ethical Investment Limited and Controlled Entities
ABN 47 003 188 930

Results for Announcement to the Market

(All comparisons to year ended 30 June 2023)

	$'000	Up/Down	% Movement
Revenues from ordinary activities	**100,491**	**up**	**24%**
Net profit after tax	**11,531**	**up**	**75%**
Add net loss after tax attributable to The Foundation	316		
Net profit attributable to shareholders	**11,847**	**up**	**80%**
Change in fair value of investment	2,159		
Integration & Transformation costs	5,068		
Due diligence & transaction costs	1,379		
Tax on adjustments	(1,934)		
Underlying net profit after tax	**18,519**	**up**	**57%**
Performance fee (net of bonus, tax and community grant impact)	(78)		
Underlying net profit after tax (excluding performance fee)	**18,441**	**up**	**56%**

Dividend information	**Cents per share**	**Franked cents per share**	**Franking level**
Interim 2024 dividend per share (paid 20 March 2024)	3.00	3.00	100%
Final 2024 dividend per share (to be paid 17 September 2024)	6.00	6.00	100%

Final & Special dividend dates	
Ex-dividend date	3 September 2024
Record date	4 September 2024
Payment date	18 September 2024

	30 June 2024	**30 June 2023**
Net tangible assets per security	$0.22	$0.19
Net asset value per security	$0.27	$0.24

This information should be read in conjunction with the 2024 Annual Financial report of Australian Ethical Investment Limited and any public announcements made in the period by Australian Ethical Investment Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the Annual Financial Report for the year ended 30 June 2024.

This report is based on the consolidated 2024 financial statements of Australian Ethical Investment Limited which have been audited by KPMG. The Independent Auditor's Report by KPMG is included in the Annual Financial Report for the period ended 30 June 2024.

Australian Ethical Investment Limited and
its Controlled Entities

Annual Financial Report

30 JUNE 2024

ABN 47 003 188 930

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Australian Ethical Investment Limited (referred to hereafter as 'Australian Ethical', 'AEI', the 'Company' or 'Parent entity'), Australian Ethical Superannuation Pty Limited ('AES') and Australian Ethical Foundation Limited (the 'Foundation'), being the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were directors of Australian Ethical Investment Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Steve Gibbs

Non-Executive Director since 2012 and Chair since 2013

BEcon, MBA

Steve chairs the People, Remuneration and Nominations Committee, is a member of the Due Diligence Committee and the Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited Audit, Risk & Compliance Committees. He is Chair of Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited.

Steve is also the Non-Executive Chair of Netlinkz Limited. Steve has extensive experience at both an executive and non-executive level in the investment and superannuation industries, including being a former CEO of the Australian Institute of Superannuation Trustees, a former CEO of what is now Commonwealth Superannuation Corporation and a non-executive director of Hastings Funds Management and Westpac Funds Management. Steve has been recognised for his commitment to, and expertise in, ethical and responsible investing.

Mara Bûn

Non-Executive Director since 2013

BA (Political Economy), GAICD

Mara is a Member of the People, Remuneration and Nominations Committee, the Investment Committee and the Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited Audit, Risk & Compliance Committees. She is a Director of the Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited.

Mara, a dual Brazilian/Australian citizen, brings executive experience from Green Cross Australia, Choice, CSIRO, Macquarie Bank and Canstar. She is Non-Executive Chair of asset consultants Australian Impact Investments and environmental chamber music ensemble The Bowerbird Collective. She is a Non-Executive Director of carbon market leader GreenCollar and nature restoration technology start-up AirSeed Technologies. She is a member of the Advisory Board of US based regenerative agriculture SaaS start-up Vayda and advises Australian nature/climate start-ups through The Salmon Project. Mara is a founding director of The Conversation Brasil and is a Director of the board of DFAT's advisory Council on Latin American Relations, COALAR. She supports the Australia Brazil Chamber of Commerce to forge climate/nature investment partnerships in advance of Brazil's COP30 which may be followed by an Australia/Pacific hosted COP31.

Kate Greenhill

Non-Executive Director since 2013

BEc, FCA, GAICD

Kate is Chair of the Audit, Risk & Compliance Committees for Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited, and is a Member of the People, Remuneration and Nominations Committee and the Due Diligence Committee. Kate is a Director of Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited, and a Member of the Australian Ethical Superannuation Pty Limited Insurance Benefits Committee.

Kate is a Fellow of the Institute of Chartered Accountants in Australia and a Graduate of the Australian Institute of Company Directors. Kate has over 25 years' experience in the financial services industry with extensive knowledge of finance and risk. As a former Partner with PwC, Kate has worked in both Australia and the UK providing assurance and advisory services to clients. Kate is a Director of Intersect Australia Ltd, a not-for-profit organisation that works with members and the wider research community to help researchers accelerate their impact through innovative technologies, training and advice. Kate is also a Director of Integrated Research Limited, an ASX listed company and leading global provider of user experience and performance management solutions for payment transactions and collaboration systems.

Sandra McCullagh

Non-Executive Director since 2023

BA, BSc, GAICD, MBA

Sandra is Chair of the Investment Committee and a Member of the People, Remuneration and Nominations Committee. Sandra is a Non-Executive director of Workcover Queensland, the Sunshine Coast Hospital and Health Services, Sydney Dance Company and the Clayfield College Foundation. Sandra was a former trustee and Chair of the Investment Committee of QSuper, leading up to its merger with SunSuper. Sandra was a director of the Board of the Investor Group on Climate Change, whose scope includes Australia, New Zealand and Asia, and a member of the New Zealand Stock Exchange Corporate Governance Institute. Sandra is a Graduate of the Australian Institute of Company Directors and a member of Chief Executive Women, and chair of its Membership Committee.

Sandra has a strong background in ESG and experience on both the buy-side and sell-side. She was the former top-rated head of ESG and utilities equities research at Credit Suisse Australia.

Julie Orr

Non-Executive Director since 2018

BEc, MCom, MCom(Hons), CA, GAICD, FGIA

Julie is a Member of the People, Remuneration and Nominations Committee, the Audit, Risk & Compliance Committee and the Investment Committee. She is also a director of Australian Ethical Foundation Limited.

Her other roles include directorships with SAAFE Limited and Artistic Swimming Australia Limited, and she is also a member of the NSW Biodiversity Conservation Trust Audit & Risk Committee.

She has over 20 years of experience in executive and board roles including experience with superannuation, investments, financial planning, stockbroking, research, insurance, audit, finance, acquisitions and business integration.

Julie's most recent executive experience was as Group General Manager Corporate Development and General Manager Operations for Insignia. She was previously Director of Finance India and Asia Pacific for Standard and Poor's, Head of Research for Morningstar, Chief Operating Officer at Intech, and Senior Audit Manager with EY. Julie's prior board experience includes AvSuper, Perennial Value Management, Ord Minnett and Masters Swimming NSW.

John McMurdo

Chief Executive Officer and Managing Director

MBA, GAICD

John joined the Australian Ethical Board in February 2020 as Chief Executive Officer and Managing Director. He brings more than 30 years' experience in investment management, private client advisory and wealth management across Australia and New Zealand, including 20 years in CEO roles at several leading investment and wealth management businesses. He also brings significant previous Board and Directorship experience within and outside financial services.

John has an MBA from Henley Business School (U.K.), is a graduate of the Australian Institute of Company Directors and a member of the Fund Management Board Committee of the Financial Services Council.

Company secretary

Karen Hughes

BSc (Hons), ACA (ICAEW), GAICD

Karen is the Company Secretary and is also responsible for the Risk Management Framework at Australian Ethical. Karen has over 25 years' experience in risk and compliance in Australia and the UK.

Principal Activities

The Group's principal activities during the financial year were to act as the responsible entity for a range of public offer ethically managed investment schemes and to act as the Trustee of the Australian Ethical Retail Superannuation Fund ('Super Fund'). Other than what is described in this report, there were no significant changes in the nature of the Company's activities during the year.

Year in review

In 2023 the annual average global temperature approached 1.45 degrees above pre-industrial levels making it the hottest year on Earth since records began in 1880. This was just one of a "deafening cacophony of broken records"[1], listed by the World Meteorological Organisation. Along with global temperatures, greenhouse gas levels, ocean heat and sea level rise experienced record highs in 2023, while Antarctic Sea ice was a record low. In the past year we also learned that six of nine planetary boundaries evaluated since 2009 had been transgressed, increasing the risk of large-scale abrupt or irreversible environmental changes[2]. Given the intricate biophysical system of our planet and the interplay between climate and biodiversity, the impact of climate change on ecosystems, the stability of societies and on financial markets, are likely to escalate if these trends continue.

Rising inequality[3] and escalating conflicts around the world add even further complexity and urgency to the challenges we must all meet. While acknowledging this web of risks and dependencies, climate change remains the preeminent challenge of our era – an existential threat for our own and all other species. As stewards of this planet, we must collectively do all we can to preserve and protect our precious resources for all living beings and for those to come.

Behind the scenes, the momentum for change still gathers speed, but has a fair way to go. More than 140 countries have signed up to net zero carbon commitments by 2050, covering more than 90% of global GDP[4]. The world now invests more than twice as much in clean energy as it does in fossil fuels. According to the International Energy Agency (IEA), clean energy investments are set to approach USD 320 billion in 2024, up by more than 50% since 2020[5]. This is great news, but the path will not necessarily be smooth or easy. Geopolitical turmoil in the Middle East, Europe and the US, can make it challenging for all entities to maintain focus on the longer-term commitments of the Paris Agreement. Many companies, industries and countries are struggling to find ways to meet their commitments, while others see opportunity and seek to innovate a new way forward. This need for innovation also presents opportunities for capital – listed, non-listed, equity and debt – and Australian Ethical is well-placed to support and benefit from future-aligned investments in all these asset classes.

Even with this geopolitical uncertainty and the cost-of-living crisis, Australians still care how their money is invested. The Responsible Investment Association Australasia (RIAA) *Values to Riches Report 2024* [6] revealed that 88% of Australians expect their super or other investments to be invested responsibly (up from 83% in 2022) and three quarters would consider changing providers if their current fund didn't align with their values.

We've been leading the way

We cannot be described as a standard ASX-listed fund manager. We are for profit and for purpose, offering investment and super solutions using our unique ethical investment approach to underpin our purpose of 'Investing for a better world'.

For more than 38 years, our constitutionally enshrined Ethical Charter has been our North Star, helping us steer a steady course. It provides the framework which shapes our investable universe, informs how we operate our business, as well as how we advocate and engage with companies, to ensure we are doing well for our investors and good for all. Through all market cycles, we have remained committed to pursuing the aims of our Ethical Charter.

Despite our long history of responsible investing, it wasn't until the second half of the last decade that we saw accelerating public awareness of climate change and the role responsible investing could play in the solution. To leverage our ethical investing credentials, capture this accelerating demand and maximise medium to long term returns to shareholders, we made a bold decision to rethink our ambition and invest more in our business platform. In our FY21 results we announced our revised strategic plan to double-down on our purpose and build a much bigger and more impactful business, through this significant reinvestment program aligned to our strategic pillars.

1 wmo.int/news/media-centre/wmo-confirms-2023-smashes-global-temperature-record
2 stockholmresilience.org/research/planetary-boundaries.html
3 ourworldindata.org/what-is-the-gini-coefficient
4 Net Zero Tracker (2023) Net Zero Stocktake 2023: New Climate Institute, Oxford Net Zero, Energy and Climate Intelligence Unit and Data-Driven EnviroLab.
5 iea.org/reports/world-energy-investment-2024/overview-and-key-findings
6 Budak, Z., Samarakoon, N. & Sammut, P. 2024, From Values to Riches 2024: Charting Consumer Demand for Responsible Investing in Australia, Responsible Investment Association Australasia, Melbourne.

Over the last five years we have been accelerating this program: building out our investment team capability, expanding our existing asset classes and adding new ones to broaden our ethical product offering. We've been working to digitise and improve our customer experience, boosting our distribution capacity and capability, while investing in our brand to ensure that investors understand our unique difference. We've started work to upgrade our technology platform and business infrastructure to ensure we can support a much larger business. This year we have progressed our transformational programs to drive efficiency and further improve our operating leverage. At the same time, we invested in our leadership and innovation initiatives to underpin our high-performance culture.

Review of operations

The investment we have made in our business is demonstrably paying off with a number of key milestones achieved during 2024. Since 2019, our FUM has grown three-fold. We reached the milestone of $10 billion in March of this year and ended the year at a record $10.44 billion FUM. This growth, including the first full-year benefit of the Christian Super SFT, enabled us to further sharpen our operating leverage, with the underlying cost to income ratio improving from 79% in FY23 to 74% in FY24.

This investment has indeed lifted the strength and quality of our business and we're receiving recognition across multiple facets of our business – customer experience, growth, governance, investment leadership and our high-performing people – which were all recognised by awards and accolades during the period.

Even so, we are conscious we have more work to do to improve our customer experience offering. Our team has been winning awards for the quality of their interactions, but we look forward to our transition to GROW which will provide a lift in infrastructure that will enable us to roll out further improvements.

To 30 June 2024, our five-year total shareholder return (TSR) at >160% is further evidence of our long-term value creation for shareholders, at a time when many of our peers are reporting negative TSR over the same time horizon. Revenue grew 2.5 times over the five years, reaching the milestone of $100 million in FY24. This was achieved while continuing to deliver fee reductions to our customers, lifting our quality of service and looking after the wellbeing of our employees. The success of this careful balance is evidenced by our healthy TSR, our enviable customer retention[7] and customer satisfaction scores[8], as well as our strong employee engagement metrics[9].

Since 2019, our underlying profit has almost tripled, an achievement supported by strong organic and inorganic growth. Our funded customer numbers now stand at more than 134,000, from a base of 48,000 in 2019. Organic growth represents the majority, while the Christian Super transaction contributed a further 28,000 members in FY23. In FY24, we were again reported in the top five fastest growing super funds[7] and received the Financial Services Growth Company of the Year Award[10].

Our financial success also benefits the community through our grants to the Australian Ethical Foundation (The Foundation). In FY24 we donated a record $1.8m to The Foundation which is a substantial increase on that donated in FY23 and represents a significant opportunity to increase our impact through our targeted giving programs.

We are proud of our substantial achievements to date across all our business metrics and confident about the momentum for responsible investing we see as we head into FY25.

7 2024 KPMG Super Insights Report and dashboard (Data source: APRA Annual fund level superannuation statistics back series: June 2004 to June 2023 (issued 13 December 2023)

8 Net Promoter Score raking of 4 out of 29. Investment Trends Super Member Engagement Report 2024. Independent research with 29 major super funds

9 Culture Amp Employee engagement survey June 2024. Top quartile for Financial Services Australia is 78% and above. cultureamp.com/science/insights/financial-services-australia

10 Australian Growth Company Awards, Financial Services Growth Company of the Year 2023

Executing against our strategy in FY24

Purpose: Investing for a better world

1. Principled investment leadership

Deliver superior risk adjusted returns over the long term, and be a powerful influence in ethical investing

2. Advocates for a better world

Foster a coalition of co-investors in the cause for a better world. A bold voice harnessing people power, strength of community and values aligned organisations

3. Compelling client experience

Deliver a seamless, modern and engaging client experience to help support the creation of a better financial future for customers, and provide accessible and affordable investment solutions

4. Impactful business

Showcase the duality of a deeply purpose driven and commercially successful business at scale and inspire or influence organisations and society to do well and to do good.

Leadership & Innovation: differentiated, purpose driven & high-performance culture

We have continued to deliver against the pillars of our growth strategy. Our focus in the period has been on capability development, expanding our ethical product suite and building out a robust operational infrastructure to support our growth aspirations.

Our key strategic highlights are set out below:

Principled investment leadership

We believe that ethical investing can deliver attractive returns while influencing progress towards a better future for people, planet and animals, and our experience over almost 40 years reinforces our conviction in this approach.

Intentionally allocating capital to investments with net positive activities including those that enable the transition to a sustainable low carbon economy, then using our position as investors to call for and catalyse positive change, benefits our portfolios as well as influencing broader change in the long term.

To be a successful ethical investor requires a dual materiality lens – ensuring our investable universe is firstly aligned to our Ethical Charter and then constructing portfolios suitable for the investment objectives of our various funds.

FY24 has been a challenging year for markets, with sticky inflation and geopolitical unrest. The resulting uncertainty and rising equity valuations have contributed to mixed investment performance over the period. During the year we maintained a strong focus on valuation across all our portfolios, reluctant to chase momentum, and our approach to managing risk meant we favoured protecting investors from the potential downside while selectively participating in further upside scenarios.

Diversification

As we grow our portfolio, we actively seek out diversification opportunities within our ethical investment universe. We are continually looking for ways to improve our risk-adjusted returns and portfolio protection to hedge against market volatility and inflation, providing resilience through evolving market conditions.

In early FY24 we successfully launched two new multi-asset funds, the Moderate and Conservative Funds. These enhance our multi-asset offering by providing more choice to customers with a lower risk tolerance and improving the product selection experience for advisers.

In February we announced a new partnership with specialist infrastructure debt manager Infradebt and launched our Infrastructure Debt Fund to provide capital for key Australian projects spanning renewable energy, social infrastructure, and property with a social or environmental benefit. We see infrastructure debt as an important growth opportunity with debt capital likely to provide the lion's share of the total capital required to meet Australia's renewable energy transition target of 82% renewable energy generation by 2030[11].

The Infrastructure Debt Fund aims to deliver solid risk-adjusted returns and contribute towards meeting these targets. We have seen around $23 million of new flows into this exciting offering since launching in February, which includes the transfer of existing Infradebt clients.

In May we signed an agreement to acquire the sustainable fixed income asset management business Altius Asset Management from Australian Unity. When completed in early FY25, the deal will deliver an additional $2 billion in funds under management (FUM).

Altius founders Bill Bovingdon, Chris Dickman and Gavin Goodhand, widely regarded as leaders of sustainable fixed income investment in Australia, will be joining our investment team, resulting in a sustainable fixed income team of seven, as well as an expanded bond fund portfolio, and Australian Unity becoming one of Australian Ethical's largest clients.

Other notable hires in the year included Natalie Tam as Portfolio Manager, Systematic Equities, and Adam Roberts as Head of Private Markets.

With two decades of experience in Australian equity markets, Natalie is responsible for Australian Ethical's Diversified Shares and International Shares funds and for building out a systematic equities platform that will become an increasingly integral part of our overall investment offering.

Joining in June, Adam has held various senior investment roles at Macquarie, including Global Head of Strategy, and was most recently the Australian Head of Infrastructure and Real Estate at Cerberus Capital Management. In his new role Adam will be responsible for the development, delivery and execution of the Private Markets portfolio.

We have also added a Senior Investment Operations Manager and three experienced analysts to further round-out our investment capability.

Ethical assessment is a key aspect of our unique investment process, and in January Dr Ella Robinson joined as Senior Impact & Ethics Analyst. Ella has deep expertise in public health; she previously worked as a post-doctoral researcher investigating the role of responsible investment in driving food industry accountability for heath.

In FY24, our ethical product offering was recognised by a number of awards and accolades. We won the Australian Equities: High Active Risk 2024 category in the Financial Standard Investment Leadership Awards 2024 (Australian Ethical Diversified Shares Fund); and the Best Ethical Overseas Fund in the Mindful Money Awards Aotearoa 2024 (Australian Ethical Australian Shares Fund). Our super fund was ProductReview.com.au's Best Retail Super Fund for 2023 and remains Finder's Green Superannuation Fund of the Year for 2023. Our leading approach was recognised by Morningstar when we were named in January 2024 as 1 of only 8 global 'Leaders' for ESG Commitment[12]; by Rainmaker as an ESG Leader; and again by RIAA in their select list of Responsible Investment Leaders. We were also proud to be the highest scoring Certified B Corporation (B Corp) in Australia & Aotearoa NZ at our last certification on 13 July 2023.

In FY25, we will focus on integrating Altius and delivering key strategic, transformative initiatives to continue our investment capability uplift. We will leverage the expertise of our newly enhanced internal capabilities for future product development, particularly in Private Markets and Systematic Equities, as well as explore new thematic investment opportunities.

[11] Climate Change Act 2022

[12] The Morningstar ESG Commitment Level: Our assessment of 108 asset managers' white paper. © 2023 Morningstar, Inc. All rights reserved.

Advocates for a better world

As we expand our asset class coverage to include fixed income and private markets for example, we will be able to advocate for money as a force for good in more segments of the economy. In December, to help us to deliver on this promise, we embedded our Theory of Change[13] into our Investment Beliefs. Our Investment Beliefs encapsulate our investment style, approach and how we think we can create value for customers. Though a guiding document like this is typical for investment firms; most investment firms do not create value that is both financial and ethical. So, it is critical to represent this dual lens in the documentation of our Investment Beliefs.

We also sought to provide further clarity to customers about one of the key levers of our Theory of Change – our distinctive ethical approach to capital allocation. In FY24 we refreshed our customer communications on ethics, producing for the first time a standalone summary Ethical Guide.

Over the year, the Impact & Ethics team also undertook activities in our four existing stewardship priority areas – turning off finance for the unsustainable expansion of fossil fuels, stopping livestock driven deforestation in Australia, reducing building sector emissions, advancing alternatives to animal research – and a new priority area of climate change policy.

During a periodic review of our stewardship priority areas, we determined that advocating for ambitious climate policy is a key opportunity where our experience in this field and credibility could lend weight. Furthermore, ambitious, and effective climate policy serves to underpin all aspects of our Ethical Charter.

We see an immediate and compelling opportunity to coalesce the voices of investors, companies, and the public around Australia's next carbon target. This must be both ambitious and science-led. We see this outcome as critical for all stakeholders, as an orderly 1.5-degree transition is the best outcome for living beings and the least cost alternative for the economy. What's more, acting with foresight, pace and providing policy certainty, will provide Australians with the best chance to seize opportunities and attract capital.

As part of our continuing efforts to turn off financing to the unsustainable expansion of fossil fuels, we co-filed climate-focused shareholder resolutions at the 2023 NAB and Westpac annual general meetings. Both received substantial and increased support empowering our calls for progress. The Westpac resolution, calling for a broader application of policies to shift customers to greener energy sources, received 21.5 per cent of proxies in support, more than double the level of the previous year.

The NAB resolution received four times the investor support of the prior year's climate resolution, with more than a quarter of proxies voting in favour. NAB subsequently released expectations for customer climate transition plans which respond to our engagement asks.

While there is more to do to turn off expansionist funding, this progress and the level of support is pleasing.

Following continued engagement which we led, Boral committed to improve their practices against the CA100+ benchmark lobbying indicators and AdBri commenced disclosure on lobbying activities for the first time in 2024.

Over the year, we engaged[14] more than 330 companies (or other entities) seeking progress on ethical issues. Of these, more than 140 were proactive engagements[15]: including direct interactions, where we actively contributed to a collective engagement; co-filings; or shareholder voting through nominal advocacy holdings. Of proactive engagements, more than 30% committed to or made a positive change this year[16]. We made two divestments on ethical grounds[17].

[13] Theory of change at australianethical.com.au/why-ae/influence/

[14] We count one engagement where we engaged with a company on a topic or series of topics. There may be multiple activities within that engagement. For example, our engagement with Westpac is counted as one engagement which included meetings, emails and co-filing a shareholder resolution. We may count two engagements with a company if there were separate activities on entirely separate topics.

[15] Our 'proactive' engagement count includes where we engaged directly with a company, government or other entity; we actively contributed to collective engagements (as distinct from simply 'signing on'); we used a nominal advocacy holding to support shareholder resolutions; or we co-filed a resolution.

[16] Commitments to change are commitments made by the engaged entity after our engagement commenced, that reflect progress towards the ultimate objectives of the engagement beyond acknowledgment of an issue. For examples of commitments and information on how they are identified, see the Stewardship Reports available on our website.

[17] Investments exited during the year due to ethical re-assessment. Not including companies excluded from initial investment.

In the period we voted on 99.25% of votable meetings. 396 meetings were voted in total. Of these, 17.68% were cast against management recommendation. More detail will be available in our proxy Voting Report for FY24[18].

Along with the assessments by Morningstar, B Corp, RIAA and Rainmaker covered earlier in this report[19], our ethical approach was recognised by Banks for Animals, who placed us in the top 5 of 80 global financial institutions for our actions to address animal welfare and support plant-based transition.[20] In addition, Alison George, our Head of Impact & Ethics, was recognised in financial services industry publication FS Sustainability's 2024 ESG Power50 Guide.

The Australian Ethical Foundation

The Australian Ethical Foundation continues its important work supporting innovative and effective charities combatting climate change. The record $1.8 million donated by AEI to The Foundation in FY24 brings the cumulative total donated to not-for-profits to just over $11 million[21].

Utilising new and retained funding from previous years, The Foundation continued its support of not-for-profit organisations in FY24. This was delivered through its multi-year Strategic Grants, and its Visionary Grants program which funds projects trialling new approaches to solving climate change. The quality of the grant applications we receive continues to rise, with successful projects representing all our focus areas, from grassroots community projects, all the way to system level interventions.

A new three-year strategy was also approved by The Foundation's Board in FY24. Our focus will continue to be on climate and nature-related activities, with an emphasis on alignment with our ethical stewardship program across Australian Ethical and partnering with other philanthropic organisations to maximise impact.

Compelling client experience

Since insourcing the customer servicing functions for our super members in 2021, we have been working hard to create a best practice, inhouse servicing model. Together with a new telephony system, we have built a strong operating model, rhythm and cadence to support our high performing team. We introduced the CARE (Collect, Analyse, Resolve, Empower) framework to ensure feedback is actioned at scale to make our customers feel heard and valued.

While enhancing operations, we have also improved the ease of doing business with us. Despite record levels of interaction, our post-call customer satisfaction scores are consistently in the 90% range, with verbatim comments reflecting these results.

We are incredibly proud of the result we have achieved. We were the Retail Superannuation Fund of the Year in the Roy Morgan 2023 Customer Satisfaction Awards and in the Top 3 Most Trusted Super Brands according to Roy Morgan[22], we won the Best Inclusive Customer Experience at the CX Awards and were finalists in three categories of the Customer Service Institute of Australia Awards.

Building the AE brand to support growth

Having a strong, differentiated, and distinct brand is critical to customer growth in both our direct and B2B channels, and as such we continued to invest in building brand awareness and consideration in FY24.

We launched a new brand campaign — '*When you prosper, we all thrive*' — at the end of January 2024. The campaign has been designed to communicate the core tenet of our investment principles — that AE strives to both deliver positive returns and to make a difference in the broader community. It continues to be highly visible to our target market into FY25.

[18] australianethical.com.au/shareholder/corporate-governance/
[19] Page 9
[20] Rank 3; scoring 34 out of 42 in an assessment of 80 financial institutions globally on their actions to address animal welfare and support plant-based transition: https://banksforanimals.org/
[21] The amount cumulatively allocated to not-for-profits (NFP) by AEI, which includes grants made to NFPs made by AEI prior to the Foundation's inception
[22] roymorgan.com/findings/2023-most-trusted-finance-and-insurance-brands

YouGov's BrandIndex from April 2024 reveals that while the campaign has increased brand awareness, we continue to have low awareness compared to the large super funds. However, the same research shows that those who are aware of the brand have significantly higher levels of brand consideration and purchase intent than other super funds are demonstrating.

In recognition of the vital connection between brand and business growth, brand strategist Emma Grainge was appointed in February 2024 as the new Head of Brand and Communication. In addition to advertising, Emma is tasked with building AE's brand and reputation for responsible investment leadership across content, social media and brand partnerships.

The FY24 market environment was dominated by cost-of-living pressures, market volatility and a greenwashing backlash. These factors contributed to a level of consumer inertia that impacted switching and fund flows in super and managed funds. Nevertheless, Australian Ethical continues to win new super members and achieve positive net flows. Super is an important source of growth for our retail business, with mandated SG contributions providing an ongoing, annuity-style revenue stream. Our purpose-led business is attractive to all demographics, but particularly to younger customers, who may have low balances at the time they join but represent decades of loyalty to come. Indeed, our super retention figures are some of the best in the industry[23].

Impactful business

While $10 billion in FUM and $100 million in revenue were significant milestones achieved in FY24, we are just starting to deliver our ambitious growth strategy. We have built an inhouse merger and acquisition discipline and are pleased by the speed, integration results and overall success of our recent SFT. This capability will help to facilitate the effective execution on the recently announced acquisition of the Altius Asset Management business as well as future opportunities.

We were delighted to win the Financial Services Growth Company of the Year Award, 2023 in the Australian Growth Company Awards. This award program recognises exceptional growth companies across Australia. An independent panel of judges determined the winners from a list of finalists demonstrating the highest rates of sustainable growth, innovation, integrity, and contribution to the community.

We continue the work to build a scalable, flexible and professional platform to support the organic or inorganic growth to come. We have made good progress on our transformational programs, the consolidation to a single super administrator (GROW Inc) and the move to a new custodian. These two projects due to complete in FY25 will further enhance our readiness for future growth, while reducing unit costs over time and delivering a roadmap of enhanced member services.

Once the super administration transition project is complete, it is expected to deliver a staged customer experience uplift and a new modern technology stack. Upon completion in late FY25, due to a more favourable pricing agreement, the transition to GROW is expected to deliver annualised unit cost savings of approximately $3 million, with the custody transition expected to deliver operating cost savings of approximately $1 million per year post completion[24]. We will also continue to invest in further customer experience enhancements.

To facilitate integration of these projects, in early FY24 we reviewed our end-to-end investment processes and have developed a future state target operating model which we are now working towards implementing. The new model includes enhanced front office systems for portfolio management and trading, performance and risk, a new investment book of record (IBOR), and a new investments data platform and reporting capabilities. To facilitate the new model, we established a revised support organisational structure with clearer functional accountabilities, segregation of duties, and streamlining of processes to provide enhanced risk management and efficiencies.

[23] 2024 KPMG Super Insights Report and dashboard (Data source: APRA Annual fund level superannuation statistics back series: June 2004 to June 2023 (issued 13 December 2023)

[24] Over the contract period and subject to customer and FUM levels. To commence on the delivery of the super administration transition and the custody and investment administration transition

Leadership, culture & innovation

In FY24 we continued to invest in our people, the lifeblood of our purpose-driven and high performing culture. We maintained our focus on the important capability build-out in key areas such as our Data and Technology team, Product team, Brand team, Investment, and Impact & Ethics teams.

To support this uplift, we implemented several development programs focused on industry knowledge, continuous improvement, and empowering efficient and effective decision-making.

During the financial year, 26% of employees participated in the CFA Institute Investment Foundations Certificate program which provides learners with an understanding of the global investment industry including terminology and foundational concepts. We also developed a 12-month training program with Generation E, to advance our employees' knowledge of Microsoft 365 tools and applications to better enable their performance and personal development, and improve the employee experience with consistent usage, streamlining processes and information flow.

To ensure we can continue to grow sustainably — through more scalable, efficient, and automated processes while improving the employee experience — our third "AEx week" held in March 2024 had a similar theme. Inspired by the book 'Essentialism, the disciplined pursuit of less' by Greg McKeown, sessions explored how focusing on the essential aspects of decision-making and eliminating non-essentials can lead to greater impact and increased fulfilment both personally and professionally.

In FY24 we implemented an improved business planning and goal setting methodology and framework — OKRs (Objectives and Key Results). The fundamental purpose of OKRs is to provide a collaborative process for leaders to set strategic direction, with clear measures of success, so that all team members have a shared understanding and common purpose and context to determine what work they will prioritise. This approach has improved individual and organisational performance.

Diversity, Equity & Inclusion

We are committed to fostering an inclusive and equitable environment so our diverse talent can bring their authentic selves to work and be at their best. We believe in the inherent strength this creates, which inevitably leads to better outcomes for our people, customers, shareholders, and the wider community. Indeed, a resounding 88% of participants in our 2024 employee engagement survey[25] affirmed 'Australian Ethical builds teams that are diverse' and that 'We have initiatives that inspire a positive and inclusive environment'.

We've held targets for achieving gender diversity at board and senior management level, the investment team and across the workforce for a number of years. And we have been tracking well against these targets. In FY24, we set a new stretch target to have women represent 40% of our investment team (30% previously); by the end of FY24 we had achieved 36% female representation.

This year we submitted our first Workplace Gender Equality Agency (WGEA) report. This documents the gender pay gaps for private sector employers with 100 or more employees. It was pleasing to see that the policies and practices we have in place are delivering results, noting there is more to do. AE's Total Remuneration average gender pay gap is 12.1% and Total Remuneration median gender pay gap is 9.4%, well below the national statistics of 21.7% and 19%, respectively[26].

Inclusive benefits

This year we updated our Parental leave policy and launched our gender-neutral 20-weeks paid parental leave, which can be taken flexibly, to support employees to care for their newborn child or for a child placed with them for adoption, fostering or via a surrogacy arrangement. We believe the enhancements are transformative and inclusive for men, women, and LGBTQIA+ people and better reflects the reality of work and care arrangements for many working families today. Since implementing the proportion of males accessing parental leave has increased.

[25] Culture Amp Employee engagement survey June 2024

[26] The full public data report which includes information on our organisation's policies, strategies, and actions on gender equality and workforce statistics is available on our website australianethical.com.au/shareholder/corporate-governance/

Employee engagement

We are very proud of our high-performing, purpose-led culture and were therefore pleased to see our employee engagement score lift from 70% in the prior period to 79% in June 2024. This is a top quartile result according to Culture Amp's Financial Services Australia index[27].

The word is getting out. This year our approach, and a number of our people, were recognised by a range of awards and accolades. In the Financial Newswire Women in Wealth Awards 2024 we were finalists in the categories of Employer of the Year; Investment Professional of the Year (Deana Mitchell, Portfolio Manager); Superannuation Professional of the Year (Mei-Ling Cheong-Nepia, Head of Service & Ops). We were winners of the CX Awards Best Inclusive Customer Experience (client services team); winners of the Customer Service Institute of Australia's Customer Service Champion Award (Nyssa Lobo Bismire, Client Services Manager) and finalists in the categories of Customer Service Professional of the Year (Avir Alagh) and Customer Service Advocate of the Year (Caroline Maillols). Maria Loyez, Chief Customer Officer was Awarded a Fellowship from The Marketing Academy Asia Pacific, a prestigious global program available to only 20 high achieving marketing leaders each year.

Reconciliation

We have advocated for and supported the achievements of the Aboriginal and Torres Strait Islander peoples for many years. We recognise reconciliation will provide a better future where both people and planet prosper. Our established Reconciliation Action Plan (RAP) working group has representatives from across the organisation who design and implement initiatives to promote reconciliation within Australian Ethical and encourage, educate, and promote involvement from the wider business. In 2023 we developed a Reflect RAP to capture the work we are already doing, along with our focus areas moving forward. Our Reflect RAP was recently endorsed by Reconciliation Australia.

Profit

Underlying profit after tax (UPAT) was $18.5 million, up 57% compared to the prior corresponding period. UPAT excludes integration and transition costs, due diligence and transaction costs and the Sentient investment fair value write-down (see below).

The net profit attributable to shareholders was $11.8 million, up 80% compared to the $6.6 million for the 12 months to 30 June 2023. The net profit for the Group amounted to $11.5 million, which includes consolidating the Foundation's activities.

As we continue to execute on our growth strategy, FY24 has seen continued prudent investment in initiatives to build a strong business platform and growth engine.

Revenue

Operating revenue reached the $100 million milestone for the period, increasing 24% to $100.5 million. The increase was achieved through further growth in our customer numbers (with resulting positive net flows), the full year positive impact of the Christian Super SFT undertaken in the prior year, and positive investment returns.

Our Emerging Companies Fund outperformed its benchmark, resulting in a performance fee of $0.2 million for FY24.

Average FUM growth for FY24 was 25%. The average revenue margin across all products decreased from 1.03% in FY23 to 1.02% in FY24 reflecting the full year impact of fee reductions at the time of the Christian Super SFT and the management fee reduction on the Australian Ethical High Conviction Fund[28].

[27] This ranks as top quartile for Financial Services Australia (top quartile is 78% and above). cultureamp.com/science/insights/financial-services-australia

[28] In September 2023 we reduced the Management Fee for the Australian Ethical High Conviction Fund from 0.80% p.a. to 0.69% p.a.

Expenses

As we continue to grow our business both organically and inorganically, we are seeing further improvements in operating leverage, with FY24 underlying cost to income ratio (CTI) of 74% compared to 79% in FY23[29].

Expenses, increased by 16%. This excludes integration and transformation costs, due diligence & transaction costs and the Sentient investment fair value write-down (described below).

As a result of Sentient Impact Group Pty Ltd's (Sentient) inability to drive the scale required to achieve its strategy and business plan aspirations, the Sentient Board decided to commence an orderly sale of its assets. Consequently, the final capital call on Australian Ethical of $0.4 million was no longer required or payable. After this amount of $0.4 million, Australian Ethical has prudently recorded a fair value write-down of $2.2m in FY24, effectively valuing any further residual liquidation value at zero.

Key drivers of our cost base increase in FY24 were:

Employee expenses

Employee expenses increased 24% following several hires and talent acquisition as part of the growth strategy as we continue to build capability in the investment and ethics, and data and technology teams. In addition, back-office teams have been enhanced to build out our mergers and acquisition capacity and strengthen our risk and governance function. Further, the run rate of FY23 hires as well as remuneration increases contributed to the increase. FTE increased from 118 on 30 June 2023 to 125[30] on 30 June 2024.

Fund related expenses

Fund related expenses increased by 26%, representing a third of the 16% growth in overall expenses. This was driven by higher average funded customer numbers and FUM following the full year impact of the Christian Super SFT. Inflation and higher regulatory fees following APRA and ASIC's levy rate increases contributed to the expense uplift. These increases were partially offset by savings achieved through reaching scale thresholds.

Marketing

Marketing costs have decreased 22% year on year due to the rationalisation of the Employment Platforms channel, with a tilt in focus towards our more profitable direct and advised channels. Continued spend on brand advertising remains an important component of driving our brand awareness and growth, however timing of brand campaigns resulted in lower brand spend in FY24 compared to prior year. It is worth noting that our overall marketing and brand costs remain significantly lower than many other super fund competitors[31].

IT expenses

IT expenses increased 21%, driven by the commencement of the IT strategy to build a stronger core in-house technology capability able to support the required agility and future scaling of the business. This will enable a data driven, digitalised business with improved automation and innovation. Further, we continue to improve our cybersecurity defences with further investment in FY24.

External services

External services costs increased 15%, as due to higher recruitment costs and higher internal and external audit and tax services expenses.

Funds under management

We ended FY24 with $10.44 billion in FUM, surpassing the $10 billion milestone we achieved in March. Investment performance represented $626 million of this growth, while positive net flows of $607 million ($602 million of this provided by super) made up the balance. In the period, we saw member growth driving new rollovers in, while superannuation

[29] Underlying cost to income ratio is calculated as: total expenses excluding UPAT adjusted expenses and excluding tax, divided by total revenue

[30] Excludes FTE assigned to projects whose costs are not captured in employee expenses

[31] In absolute terms as per APRA Annual Fund Level Superannuation Statistics. Data as at 30 June 2023, published on 13 December 2023.

guarantee (SG) and voluntary contributions continued to rise on the back of the organic and inorganic growth of our member base.

While super net flows remained strong, managed funds flows were impacted by cautious market sentiment relating to the market volatility and were just $6 million for the year.

Our well diversified product set has ensured we remain resilient during the challenging market conditions and continue to grow total FUM.

Material business risks

Australian Ethical's approach to risk management is based on the Risk Appetite Statement set by the Board, which sets out the overall appetite and tolerance levels and defines limits for each material risk category.

The Board holds the ultimate responsibility for setting strategic direction, the risk management framework (RMF) and determining the risk appetite/tolerance for the activities of the business. The board forms a view of the risk culture of the Group and any desirable changes required and monitors implementation of these changes.

The Board recognises that risk management is an integral part of good management practice and is integrated into the Australian Ethical philosophy, practices, and business planning processes. A risk aware culture and operation within the Boards' risk appetite and tolerances is promoted throughout the organisation through regular communications from management and within the provision of training and ongoing support from the Risk team.

The Audit Risk and Compliance Committee (ARCC) oversees and reviews the RMF, and reviews internal and external audit results. This oversight includes the identification, treatment, and monitoring of:

- The use of risk appetite
- Current and emerging material risks, including (but not limited to) investment, data, technology, and cyber risks
- Exceptions, incidents, and breaches
- Complaints
- The results of control testing

The full ARCC charter (and other board charters) can be found on the Australian Ethical website at:

australianethical.com.au/shareholder/corporate-governance/

The RMF is supported by the Three Lines of Defence model with the first line being Senior Leadership Team (SLT) who foster and enhance development of risk culture within the Group, monitor risks, report breaches and review risk register. The SLT have day to day responsibility and accountability for risk management in their area and ensure an appropriate risk culture.

Australian Ethical's second line, the Risk team, facilitates the RMF, including review and update of the risk register and RMF, reports on exceptions and control effectiveness. The third line of defence is Internal Audit, (which is outsourced to PricewaterhouseCoopers in accordance with ARCC approved annual audit program) who provides assurance over the RMF and independent review of the design and operation of the control environment, as well as External Audit (KPMG) who provides assurance, through the annual audits and reviews as required by SPS 310 and the Corps Act, that internal controls are designed appropriately and operating effectively.

Risk category	Risk description/impact	Risk mitigants
Risk Management	Risk that AE breaches its corporate, fund and superannuation regulatory and legal obligations or industry standards (including licence conditions, governing documents). Risk that AE's insurance policies are not appropriate to cover business risk levels.	• Dedicated Risk and Legal Team. • Internal & external reviews of public documents. • Mandatory compliance training for all staff based on internal policies and procedures. • Embedded controls assurance framework, including requirement for independent assurance. • Compliance obligations are documented and monitored. • Breach reporting escalation processes. • Annual review of insurance program.
Financial	Risk that AE's profitability, capital reserves or liquidity are inadequate to support ongoing business activities. This includes inappropriate accounting, financial reporting and related disclosures (for both the funds and corporate entities), as well as incorrect calculation and payment of tax, and poor financial control and operational processes. Risk arising from low net flows or poor investment performance as a result of exposure to equity markets resulting in potentially volatile earnings (revenue linked to FUM), and poor customer outcomes. Risks arising from calculation of incorrect unit prices.	• Appropriate financial control processes, including monitored cashflows and cash position, annual budgeting and regular forecasting. • Regular reconciliation and review processes for financials, units on issue and applications/ redemptions. • Regular monitoring of regulatory capital requirements. • Appropriate policies and procedures, quality control, management approval frameworks across financial process, asset valuations, distributions, fees and expenses and approval of unit prices. • Internal and external audit, professional reviews of finance and unit pricing controls. • Agile management of resource allocation, prudent cost control. • Regular monitoring of key financial metrics. • Monitoring of external market drivers e.g. interest rates, inflation, and refinement of business activities in response. • Confirmation and recording of asset valuations including Valuation Committee for unlisted assets. • Unit Pricing oversight model including Unit Price Committee.

Risk category	Risk description/impact	Risk mitigants
Climate change	Climate change is a systemic risk to our business, investments, and the financial system as a whole. High emitters in particular face regulatory, legal and reputational risks, as do their value chains, including those who finance their activities. This risk can manifest as increased costs, changes in demand, and declines in asset values, including asset stranding. Climatic changes, both chronic and acute, can affect costs, revenues, and asset values, and will continue to escalate unless effective policy and technological responses are implemented to prevent dangerous climate change.	• Our response to climate change is considered by our board in reviewing and approving our corporate strategy and, via our investment committee, where climate change related topics are regular agenda items. The board includes members with climate change expertise. • Our investment beliefs recognise the criticality of preventing dangerous climate change to both our ethical and financial goals. • Our ethical assessment and investments processes consider climate change. We restrict[32] investments in companies assessed to be obstructing the objectives of the Paris Agreement to limit global warming to well below 2°C and to pursue a limit of 1.5°C. • Our Chief Investment Officer and Head of Impact & Ethics are responsible for implementation of our ethical investment approach, including our climate-related ethical assessment criteria. • Our strategic and active asset allocation processes consider climate risks. • Our Impact & Ethics Team monitors existing and emerging climate-related risks, using diverse company, industry, government, responsible investment, scientific, civil society and news sources. • We have established metrics to monitor the effectiveness of our ethical investment approach in managing climate risk and report on these in our full Annual Report published on 11 October 2024.
Environmental, Social and Governance (ESG)	Risk arising from inadequate or inappropriate Ethical and Environmental, Social and Governance (ESG) considerations in business and investment decision-making. Risk may arise due to unclear employee accountabilities, inadequate board reporting, inadequate identification and management of conflicts, non-compliance with ethical charter.	• AE's Ethical Charter forms part of AE's constitution and informs all aspects of company operations. • Robust ethical assessment and investment processes - all investments are evaluated against the positive and negative principles in our Ethical Charter. • Embedded governance framework including board and committee charters, board and committee reporting. • Board oversight responsibilities are underpinned by the Ethical Charter, which is embedded in Board Charter. • B Corp certification status maintained.

[32] Our investment restrictions include some thresholds. Thresholds may be in the form of an amount of revenue that a business derives from a particular activity, but there are other tolerance thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our Ethical Criteria at australianethical.com.au/globalassets/pdf-files/why-ae/ae-guide-to-our-ethical-investment-process.pdf.

Risk category	Risk description/impact	Risk mitigants
Investment & ethical evaluation	Risk arising from inappropriate investment strategies, non-adherence to investment governance, non-adherence to fund governing documents, non-adherence to ethical criteria or inadequate management of market, credit and liquidity risks within the funds. Risk arising from underperformance of Managed Funds and Super Options relative to stated investment objectives.	• Regular ethical reviews of investments to ensure they remain in line with our Ethical Charter . • Established investment governance frameworks in place. • Investment performance analytics. • Stress testing. • Reviews, reconciliations and monitoring of key metrics. • Investment Committee (IC) in place with independent members appointed. • Quarterly review of performance (including attribution) by Investment Committee . • Annual review and approval of Strategic Asset Allocations. • IC approved Trust Investment Parameters.
Customer	Risk arising from inaccurate, misleading or inadequate PR, marketing, brand, sustainability reporting or advocacy activities leading to reputational damage, regulatory penalties and negative stakeholder sentiment. Risk arising from inadequate processes, systems, outsourced suppliers, quality standards, product offering resulting in poor customer experience, reputational damage and financial impacts.	• Regular monitoring of brand awareness. • Media monitoring and Media Policy. • Review processes over marketing material. • Mature ethical stewardship activities embedded. • Monitoring of key metrics relating to customer satisfaction (CSAT). • Complaints handling processes. • Product guidelines, frameworks and policies.
Strategic	Risk arising from poor strategic decisions, inadequate development and execution of strategic initiatives, a lack of responsiveness to regulatory change or external market and economic trends that could affect AE's offering or market position.	• Robust and embedded strategy and business planning processes that includes regular review and monitoring of external market trends and metrics. • Dedicated Project Management Office (PMO) and program management framework for effective execution of strategic and regulatory initiatives. • Senior Leadership variable remuneration linked to strategic metrics. • Regular monitoring of progress against strategy through 'Objective and Key Results' (OKR) framework, reporting to Senior Leadership Team and Board, incorporating agile reprioritisation of initiatives.

Risk category	Risk description/impact	Risk mitigants
Operations (including Outsourcing Risk)	Risk arising from inadequate processes, systems, quality standards, data management or from external events. This includes (but is not limited to) processing errors, human error, fraud, unauthorised advice or an event which disrupts business continuity. Risk that AE enters into untenable contracts and servicing agreements with vendors and suppliers or selects an unsuitable vendor or supplier. Risk that services provided by external service providers are not managed in line with contractual obligations and service level agreements.	• Embedded policies, methodologies, procedures, roles and responsibilities (including segregation of duties where needed). • Board subcommittees e.g., Due Diligence Committee. • Internal Fraud Design Taskforce. • Controls assurance framework. • Effective incident and issues management processes. • Business continuity planning and disaster recovery programs (including by outsourced providers). • Comprehensive insurance program. • Robust documented processes for new product delivery and product management (including regulatory compliance). • New vendor due diligence processes. • Monitoring of key metrics, contractual arrangements and service delivery.
IT & Cybersecurity	Risk arising from inadequate, failed, breached or corrupted IT systems resulting from poor infrastructure, data management, applications, cloud services, business continuity plans, security controls, IT support or unauthorised access. Includes (but is not limited to) confidentiality or privacy breaches, loss of data integrity, loss of sensitive or critical data as well as business disruption or financial loss resulting from a cyber security event, disaster or failure of technology service provider to meet business needs.	• Embedded IT security policies and procedures including mandatory IT policy and phishing training. • Operational technology security in place (including firewalls and antivirus). • IT system penetration testing; Password integrity testing. • Regular board oversight over cyber security risks. The Board and/or ARCC reporting receives reports on cyber risk, threats, uplift programs, cyber incidents (if any), and information security testing results that identify material information security control deficiencies requiring remediation (if any). • Business continuity planning and disaster recovery programs including testing (including service providers), incident response plans. • AEI Board monitors IT Disaster Recovery Plans and Business Continuity Plans and annual testing. • Independent assurance.

Risk category	Risk description/impact	Risk mitigants
People	Risk arising from an inability to hire, engage, develop, empower and retain quality and appropriate capability (including Senior Leadership and Board) to meet performance objectives and execute AE's business strategy. Risk arising from inadequate work health and safety (WH&S) practices. Risk arising from unethical conduct by directors or employees, or from behaviours that are not aligned with AE's values, culture and expectations.	• Embedded People policies and procedures (including WH&S policies, procedures and training). • Succession planning, talent identification programs, retention and hiring strategies, embedded performance review processes, remuneration benchmarking and reporting to the People, Remuneration and Nominations Committee. • Remuneration framework to ensure senior management alignment to medium- and longer-term strategic goals. • Investment team remuneration structure aligned to performance objectives. • Regular employee engagement and turnover monitoring; dedicated employee engagement business representatives. • Employee assistance program. • Inclusion of risk metrics and thresholds as well as values alignment assessment in performance management framework.

Outlook

The medium-term market opportunity remains compelling, and we head into FY25 with good momentum. The expected completion of the Altius acquisition in September 2024 as well as continued organic growth, and the increase of the superannuation guarantee rate, is expected to underpin further FUM growth in FY25.

In FY25 our investment focus will be the delivery of key inflight projects, including the transition of our super administration to GROW, as well as the transition of our custody and investment administration to State Street as our current custodian exits the market. Whilst we continue to invest in our business platform, the completion of these projects is expected to deliver annualised unit-cost savings of approximately $4 million to recurring operating expenses[33].

Our Data and Technology strategy implementation will continue, with further enhancements delivered to our technology infrastructure to enhance internal efficiencies and access to data and business intelligence in support of business growth. Further investment in cybersecurity will continue to manage this risk in the rapidly evolving external environment.

We will continue to hone the capability of our investment team to build on our ethical investing competitive advantage and complete the enhancement of our investment management platform. This will bolster operational, product development and trading capabilities and systems, to support a business of much larger scale. We believe this will translate to an enhanced investment capability across all asset classes, strong investment performance outcomes, as well as increased innovation through new investment products and business initiatives.

Furthermore, the acquisition of Altius is expected to generate approximately $1 million in annualised EBITDA uplift[34].

Notwithstanding the continued investment in our business, we remain focused on delivering operating leverage as we scale, whilst remaining cognisant of uncertain market conditions.

As a business, we look forward to the opportunities that lie ahead. We continue to be well-positioned with no debt, well-managed cash flows and solid momentum heading into FY25.

[33] Over the contract period and subject to customer and FUM levels. Savings to commence on the delivery of phase 1 of the super administration transition and the custody and investment administration transition.
[34] Relates to the increased revenue from the Altius take-on FUM, less the additional expenses relating to Altius Fixed Income team, registry, custody and front office system license costs

Financial Performance – management analysis

Financial Performance – management analysis	2024 $'000	2023 $'000	% Increase (Decrease)
Net Profit after tax (NPAT) including performance fee	**11,531**	**6,576**	**75%**
Add: Net loss attributable to The Foundation*	316	–	
Net profit after tax attributable to shareholders	**11,847**	**6,576**	**80%**
Adjustments:			
Change in fair value of investment	2,159	2,600	
Integration & transformation costs (refer to Note 13)	5,068	3,733	
Due diligence & transaction costs (refer to Note 14)	1,379	–	
Tax on adjustments	(1,934)	(1,120)	
Underlying profit after tax (UPAT) including performance fee	**18,519**	**11,789**	**57%**
Performance fee (net of bonus, tax and Foundation grant)	78	–	
Underlying profit after tax (UPAT) excluding performance fee	**18,441**	**11,789**	**56%**
Diluted EPS on NPAT attributable to shareholders (cents per share)	10.51	5.84	
Diluted EPS on UPAT attributable to shareholders (cents per share)	16.44	10.46	

* refer to Note 37 for additional details in relation to The Foundation's financial results.

Operating leverage	2024 $'000	2023 $'000
Total expenses per statement of comprehensive income	80,798	67,914
Less:		
Integration & transformation	(5,068)	(3,733)
Due diligence & transaction	(1,379)	–
Total underlying operating expenses	74,351	64,181
Divided by:		
Total operating revenue	100,491	81,096
Underlying cost to income ratio	74%	79%

Dividends

Dividends paid during the financial year were as follows:

	2024 $'000	2023 $'000
Final dividend for the year ended 30 June 2023 of 5.00 cents (2022: 3.00 cents) per ordinary share – fully franked	5,639	3,372
Interim dividend for the year ended 30 June 2024 of 3.00 cents (2023: 2.00 cents) per ordinary share – fully franked	3,383	2,256
	9,022	5,628

Since year end the Directors have declared a final dividend of 6.00 cents per fully paid ordinary share (2023: 5.00 cents final dividend). The aggregate amount of the declared dividend expected to be paid on 18 September 2024 out of profits for the year ended 30 June 2024, but not recognised as a liability at year end, is $6,767,000 (2023: $5,639,000).

All dividends paid during the year were fully franked based on tax paid at 30.0%. The final dividend to be paid in September 2024 will be fully franked at 30.0%.

Changes to contributed equity during the year and prior to the issue of the report

During the year and prior to the release of this report the following changes to contributed equity occurred:

Details	Date	Shares	Weighted Average issue price	$'000
Balance	1 July 2023	112,782,052		10,515
Vesting of deferred shares in the Employee Share Plan (255,234 shares)	15 September 2023	–	$4.53	1,156
Vesting of deferred STI shares (108,628 shares)	15 September 2023	–	$6.10	663
Vesting of deferred shares in the Employee Share Plan (8,528 shares)	10 November 2023	–	$5.29	45
Purchase of deferred shares in the Employee Share Plan – on-market (568,032)	23 October to 12 December 2023	–	$4.53	(2,571)
Purchase of deferred shares in the Employee Share Plan – on-market (18,261)	22 December 2023	–	$5.27	(96)
Vesting of deferred shares in the Employee Share Plan (2,271 shares)	1 February 2024	–	$7.37	16
Vesting of deferred shares in the Employee Share Plan (7,013 shares)	1 March 2024	–	$5.68	40
Vesting of deferred shares in the Employee Share Plan (72,121 shares)	6 March 2024	–	$6.49	468
Balance	30 June 2024	112,782,052		10,236

No amounts are unpaid on any of the shares. Refer to Note 25 for additional information and a detailed breakdown of the shares vested during the year.

Significant changes in the state of affairs

In May 24, Australian Ethical signed an agreement to acquire the Altius Asset Management business from Australian Unity. This will result in six new employees in the fixed income team, an expanded bond fund portfolio and a new institutional client (Australian Unity). When completed in early FY25, the deal will add approximately $2 billion to Australian Ethical's funds under management.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Apart from the dividend declared in Note 27, no other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

To the best of the directors' knowledge, the relevant environmental regulations under Commonwealth and State legislation have been complied with.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Full Board		People, Remuneration and Nominations Committee		Audit, Compliance and Risk Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Steve Gibbs	11	11	7	7	6	6
Kate Greenhill	10	10	7	7	6	6
Mara Bun	11	11	7	7	6	6
Julie Orr	11	11	7	7	6	6
John McMurdo	11	11	–	–	–	–
Sandra McCullough	11	11	7	7	–	–

	Due Diligence Committee		Investment Committee	
	Eligible	Attended	Eligible	Attended
Steve Gibbs	8	8	–	–
Kate Greenhill	8	8	–	–
Mara Bun	–	–	8	8
Julie Orr	–	–	8	7
Sean Henaghan	–	–	8	8
Steve Rankine	–	–	8	7
Sandra McCullough	–	–	8	8
Michael Anderson	–	–	8	6
Ludovic Theau	–	–	8	8

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

JOHN MCMURDO
Managing Director and Chief Executive Officer

28 August 2024
Sydney

Remuneration Report

Remuneration Report

For the year ended 30 June 2024

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2024 (FY24).

The remuneration report provides our shareholders and stakeholders with a thorough and transparent outline of our remuneration framework and the philosophies behind the remuneration arrangements and other employee benefits. It specifically focuses on the remuneration outcomes of Non-Executive Directors, the Chief Executive Officer (CEO) and senior executives, collectively referred to as Key Management Personnel (KMP), and how they align with our performance and strategic goals for the current and future years.

A transformational year

While FY24 has been a challenging year for markets and investment performance, in many respects, it has represented a coming of age for Australian Ethical.

In 2021 we outlined our strategy to capture the significant opportunity represented by the macro trend towards responsible investing and have been investing prudently to build a scalable business platform and grow the business both organically and inorganically.

In FY24, as we reflect back on this journey, we have much to celebrate, as the benefits of this strategy are becoming evident. During the year, we were delighted to reach the major milestones of $100 million revenue, and $10 billion Funds under Management (FUM) – a significant achievement in Australian Ethical's history.

Our results have been boosted by the first full-year benefit of the successful Christian Super successor fund transfer, which has contributed to the very strong 57% uplift in underlying profit after tax.

We have also continued to grow organically despite challenging markets. In FY24 we achieved positive net flows of $607 million at a time many of our competitors are in net outflow position. Together with $626 million of positive investment return our funds under management grew 13% to a new record high of $10.44 billion.

With our greater scale, we are now delivering higher profits, higher dividends and also delivering meaningful improvements to our operating leverage, with our underlying cost to income ratio[1] further improving in FY24 to 74%. All of this has enabled a five-year total shareholder return (TSR) of >160% – compelling evidence of our long-term value creation for shareholders.

Whilst we are very pleased with our financial metrics for the period, we are also delighted that our strategy is delivering positive outcomes across many other areas of our business, including:

- our enviable customer retention and customer satisfaction, recognised through multiple awards,
- our strong brand trust and recognition, being named Roy Morgan top 3 most trusted super brands,[2]
- continued recognition for our responsible

[1] Underlying cost to income ratio is calculated as: total expenses excluding UPAT adjusted expenses and excluding tax, divided by total revenue

[2] 2023 Roy Morgan Trusted Brand Awards Report

investment standing and ESG commitment,

- our high quality product offering, recognised through multiple awards and accolades, and
- our outstanding talent and high performing people.

These strengths position us very well to continue the positive growth trajectory we have achieved in recent years. The planned FY25 acquisition and integration of the Altius business, and the transition of our custody and administration platforms, which are expected to generate future unit cost savings and further profit improvement for the business over time, allow us to look forward with confidence.

These results are made possible through the significant contribution and commitment of our employees, with their high levels of engagement being a testament to the shared purpose that underpins the strength of our business.

Remuneration and reporting changes

At the 2023 Annual General Meeting, the Company's remuneration report received a 'no' vote of 27.01% cast on the resolution that the remuneration report be adopted. This constituted a 'first strike'.

2023 voting participation was low with shareholders holding only 35% of the issued shares of the company voting on the resolution to approve the Remuneration report. The 27% vote against the approval of the report therefore represented less than 10% of shares eligible to vote on the resolution.

The Board has undertaken the following initiatives, which also address the proxy adviser suggestions raised in 2023:

- Weightings have been applied to the performance measures in the STI Balanced Scorecard to improve the transparency of STI achievement, with 50% assigned to financial measures to align closely with shareholder outcomes
- Increased transparency of STI achievement through improved disclosure of achievement outcomes
- Implemented a change to the determination of ESP vesting that directly addresses last year's proxy adviser concerns regarding board discretion. In FY24, ESP vesting outcome is determined against a pre-approved metric, being 'Adjusted NPAT pre performance fee' (see Section 4.4 for further detail)
- Improved disclosure relating to the Executive Long Term Incentive (ELTI) program, the long term incentive scheme relevant for Executive KMPs as distinct from the broader and smaller employee share ownership program (ESP) which applies to all employees
- Shareholder approval will be sought for the CEO's Long Term Incentive grant (equity rights) under the ELTI.

In addition, the Board has approved a number of planned initiatives to increase shareholder voting participation and to improve shareholder engagement in voting for the resolution.

Remuneration philosophy and framework

Our remuneration policy aligns to the philosophy of the Company that sees our people as key stakeholders in the Company's success. Our remuneration framework aims to reward our management and employees fairly and competitively. Further, our framework aims to provide a direct link between contribution and reward and alignment with the long-term performance of the Company, and in turn, long term value creation for shareholders.

Each year, the Board and its People, Remuneration and Nominations Committee (PRN) review the remuneration framework and have oversight of remuneration arrangements for all employees, setting company key performance objectives to align employee performance and behaviour with remuneration outcomes.

Other than the reporting changes disclosed above, and changes that might be necessary to align to the Financial Accountability Regime (FAR), no changes are contemplated for FY25.

Following a comprehensive market review in 2021, assisted by AON Advisory, a number of changes were advised and implemented. This year, the outcomes of these changes have been actualised, and saw:

- The Employee Share Plan (ESP) redesigned and Executive KMP allocations reduced in size to 10% of fixed remuneration to align with other employees. The ESP exists to ensure all employees are able to participate in company ownership and hold an interest in the success of the organisation. This is in alignment with the Australian Ethical Charter which supports "the development of workers' participation in the ownership and control of their work organisations and places".
- The introduction of an Executive Long-Term Incentive (ELTI) to ensure appropriate focus on the

significant growth aspirations of Australian Ethical. The ELTI is a separate program, comparative to competitor LTI programs, and applies to Executive KMP's and select Senior Executives only and reflects more stretching targets and hurdles to drive the achievement of long-term objectives and deliver long-term shareholder value creation. The longer dated vesting periods (4 years) also aids the achievement of regulatory and ASX governance principles which recommend a greater weighting toward deferred remuneration within total compensation arrangements.

All elements of our remuneration framework seek to drive our growth aspirations which will amplify our impact and realise our purpose of better outcomes for all stakeholders, including people, planet and animals.

FY24 variable remuneration outcomes

The PRN and the Board spend considerable time each year evaluating the contributions and performance of the company, CEO and other Executive KMP to arrive at the variable incentive outcomes for each Executive KMP, measuring achievements against the Balanced Scorecard and individual objectives. Objectives combine both financial and non-financial business and customer outcomes whilst ensuring an appropriate risk culture is maintained. All employees, including Executive KMPs, have objectives underpinned by the company's core values, whilst also incentivising ethical behaviour and positive customer outcomes.

FY24 was a very successful year as outlined above.

Reflecting on Australian Ethical's business performance, outcomes for FY24 include:

- CEO's STI at 69% of maximum opportunity
- STI's for other Executive KMP range from 27% to 62% of maximum opportunity
- The agreed hurdle for achievement of ESP, 3-year EPS CAGR of 10% based on 'Adjusted NPAT pre performance fee' has been exceeded, resulting in the vesting of the 2021 ESP tranche for all relevant employees

No ELTI was available for vesting in FY 24. The first tranche of ELTI awards, which were granted in 2021 will be assessed against the pre determined performance hurdles at the end of FY25 and will vest if those performance hurdles have been achieved (see section 4.7.1).

Looking forward

We annually review our remuneration framework to ensure it remains contemporary and is aligned with the Company's strategy and industry trends, whilst remaining focussed on current and upcoming regulatory changes.

We are committed to ensuring our remuneration arrangements remain fair to all stakeholders and are effective in attracting and retaining talented people who are motivated, professional and contribute positively to Australian Ethical's growth aspirations.

STEVE GIBBS

Chair
People, Remuneration & Nominations Committee

1. Key Management Personnel

Name	Position	Term as KMP in FY24
Executive Key Management Personnel (KMP)		
John McMurdo	Managing Director & CEO	Full year
Marion Enander	Chief Strategy & Innovation Officer	Full year
Karen Hughes	Chief Risk Officer & Company Secretary	Full year
Maria Loyez	Chief Customer Officer	Full year
Ross Piper	Chief Executive Superannuation	Full year
Mark Simons	Chief Financial Officer	Full year
Ludovic Theau	Chief Investment Officer	Full year
Non-Executive Directors		
Steve Gibbs	Chair	Full year
Katherine Greenhill	Non-Executive Director	Full year
Mara Bun	Non-Executive Director	Full year
Julie Orr	Non-Executive Director	Full year
Sandra McCullagh	Non-Executive Director	Full year

KMP's perform work for the Super Trustee and other entities within the AEI Group subject to an appropriate conflicts management framework.

As a result of a reorganisation of Executive KMP responsibilities, the Board has determined that the Executive KMP's effective 1 July 2024 will be the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Customer Officer and Chief Risk Officer.

2. Our people

AE People Plan

Success in achieving our strategic goals is largely contingent on the quality and performance of our people and the health of our organisation's culture. Our People Plan (people strategy) is focused on delivering people and culture solutions that will enable the growth of our business and transform our operating model to become a global role model in responsible investing.

The AE People Plan priority areas are:

- **Diversity, Equity and Inclusion ("DEI")** to foster a DEI led organisation to enable better performance
- **Talent and Capability** to secure talent and capability now and for the future
- **Performance and Reward** to motivate and reward our people to act in the best interests of our stakeholder groups
- **Culture and Employee Experience** to bring to life our 'Purpose Driven and High Performing' culture

FY24 achievements

During FY24 there were a number of market and external forces impacting talent attraction and retention generally, including high inflation and an uncertain economy, tight labour market, and a demand for a human centric working environment. A key focus of our people and culture strategy in FY24 was strengthening our purpose-driven and high performing culture.

For many years, we have worked hard to build a diverse workforce, including gender balance of the Board and Executive leadership team, as well as advocating for positive change in other organisations. Further, we have been focussed on an initiative to increase female representation within the Investment and Ethics team, a traditionally male dominated sector, and are delighted to now have 36% female representation in this team. Our talented team are also being recognised through a range of awards and accolades.

Key People Plan initiatives and achievements are outlined below.

Diversity Equity & Inclusion

- Submitted our first Workplace Gender Equality Agency (WGEA) report which identifies gender pay gaps for private sector employers with 100 or more employees
- Australian Ethical's total remuneration average gender pay gap is 12.1% and total remuneration median gender pay gap is 9.4%, versus the national statistics of 21.7% and 19% respectively
- Gender representation
  - Board – 67% female, 33% male
  - Executive – 50% female, 50% male
  - Investment & Ethics Team – 36% female, 64% male
  - Organisation – 50% female, 50% male
- Investment team participated in a number of activities organised by Future IM/Pact, an organisation that helps women launch a career in investment management. Activities included university student mentoring circle, early career mentoring and advocacy program and a university student investment competition
- Updated our parental leave policy and launched a gender-neutral 20 weeks paid parental leave program. We believe the enhancements are transformative and inclusive for men, women, and LGBTQIA+ people and better reflect the reality of work and care arrangements for many working families today. Since implementing, the proportion of males accessing parental leave has increased
- Reconciliation Australia endorsed our Reflect RAP this year. The RAP provides a framework for the work we have already been doing, along with the focus areas we are committing to moving forward. Our RAP working group of representatives from across the organisation designs and implements initiatives to promote reconciliation within Australian Ethical with involvement from the wider business

Talent & Capability

- Enhanced investment team capability with the appointment of Natalie Tam, Portfolio Manager, Systematic Equities and Adam Roberts, Head of Private Markets, as well as three new analysts, to broaden capability across asset classes. The addition of the Altius fixed income team will further boost our Fixed Income capability. The enhancement of investment operations has been underpinned by the appointment of a Senior Investment Operations Manager and an Investment Platform Technology Lead. Ethics team capability was also bolstered by the January 2024 appointment of Dr Ella Robinson as Senior Impact and Ethics Analyst
- 26% of employees have participated in our Investment Management Foundations program which includes completing the CFA Institute Investment Foundations Certificate course work
- Continued to develop a culture of continuous improvement: We partnered with Bevington Group for a 12-month program of LEAN training to drive effective change and operational excellence, and launched a 12 month program to advance knowledge of Microsoft 365 tools to streamline processes and information flow

Performance & Reward

- Implemented an improved business planning and goal setting methodology and framework through the launch of Objective and Key Results (OKR) framework. This framework provides a collaborative process for leaders to set strategic direction with clear measures of success, to align purpose as a means to effective prioritisation

Culture & Employee Experience

- Introduced a new initiative, AE Giving, a month-long volunteering event to bring our purpose driven culture to life. Employees were encouraged to utilise a day of volunteering leave to volunteer with one of five partner organisations. 71 volunteering days were completed, improving company culture, engagement and cross collaboration and creating a true connection to AE's purpose whilst making a positive impact
- We expanded and refined our values to better reflect our evolving culture and business
- We continued to raise awareness of the importance of mental health with guest speakers, Mental Health fundraising initiatives and donation matching
- A range of wellbeing offerings include a wellbeing allowance, flu vaccinations and skin checks, organised fitness events, additional wellbeing leave, EAP support and a health support program
- We achieved a Financial Services top quartile engagement score of 79%*, up from 70% in FY23

* Top quartile for Financial Services Australia. See: cultureamp.com/science/insights/financial-services-australia

3. Remuneration philosophy and structure

3.1 Remuneration guiding principles

Australian Ethical's remuneration approach is designed to facilitate the attraction, retention and engagement of talent, within the organisation's capacity to pay, to achieve Australian Ethical's corporate objectives and purpose of Investing for a Better World.

Our remuneration approach is guided by the following principles:

- Pay fairly and equitably, and market competitively, to attract and retain talented people,
- Align and balance the interests of clients, shareholders, and employees,
- Recognise and differentiate for contribution to the Group's performance,
- Promote our values, behaviours, risk and conduct expectations,
- Be simple to administer and to communicate to stakeholders,
- Adhere to all applicable legislation and regulations, and
- Support the long-term financial stability of AEI Group.

Australian Ethical's remuneration philosophy is consistent with the principles of the Australian Ethical Constitution and Charter contained in the AEI and AES Constitutions. It is designed to:

- ensure that the Group facilitates "the development of workers' participation in the ownership and control of their work organisations and places" – Charter element (a)
- not "exploit people through the payment of low wages or the provision of poor working conditions" – Charter element (ix)
- not "discriminate by way of race, religion or gender in employment, marketing, or advertising practices" – Charter element (x)

The Board, before declaring any dividend, is required by the Company's Constitution to provide a bonus or incentive for employees of up to 30% of what the profit for that year would have been had not the bonus or incentive payment been deducted.

3.2 Elements of remuneration

The following framework applied to employees and KMPs of Australian Ethical Investment Limited (not including Non-Executive Directors and Investment Committee members) for the financial year ended 30 June 2024, as indicated in the table. Employees of Australian Ethical Superannuation Pty Limited are entitled to receive all the below elements of remuneration with the exception of the Employee Share Plan (ESP) and Executive Long-Term Incentives (ELTI).

There were no significant changes to the remuneration framework in the FY24 year.

Element	Description	Detail	Paid as
Fixed Remuneration (FR)	Comprises base salary, superannuation, packaged employee benefits and associated fringe benefits tax.	• Reviewed annually, or on promotion. • Benchmarked against market data[3] for comparable roles based on position, skills and experience brought to the role. • Target remuneration is based around the median of the relevant comparator group for each job role, taking into consideration companies in a similar industry and of a similar size.	Cash and superannuation

[3] Benchmarked to data provided by the Financial Institutions Remuneration Group Inc (FIRG). FIRG is a peer group provider of remuneration and benefits data in the financial services industry.

Element	Description	Detail	Paid as
Short Term Incentive (STI)	An annual incentive aimed at motivating and rewarding employees for achievement of annual performance objectives. A risk modifier applies where non-compliance with risk and values expectations.	• Actual outcome is linked to performance against individual KPIs and contribution against annual financial and non-financial metrics in the Board approved Balanced Scorecard. Maximum achievable for Executive KMPs is two times the target incentive, based on a percentage of Fixed Remuneration. • For Executive KMPs (except CEO and CIO), STI in any given year that exceeds $100,000 will typically be deferred for up to 3 years, is not subject to further hurdles and is paid in shares. The CEO and CIO have additional deferral components within their remuneration. • Short term incentives are treated as follows in the following circumstances: – resignation – usually forfeited, subject to Board discretion; – termination for serious misconduct – forfeited; – retirement – at discretion of the Board; – death or total and permanent disablement – at discretion of the Board; and – redundancy – at discretion of the Board.	Cash and deferred shares
Employee Share Plan (ESP) –	Aimed at enabling employees to share in the ownership of the company, in keeping with our Constitution and Ethical Charter. Aligns employee performance and behaviour with the long-term success of the Company. The ESP also supports the retention of employees. Applies to all employees who have satisfied the risk and values gate.	• Awarded as percentage of Fixed Remuneration (10%) • Shares are issued or purchased and held in trust for 3 years. • Vest in the name of the employee after 3 years, provided that: – employee remains employed; and – subject to 3-year compound annual growth in diluted earnings per Share (EPS) as follows: • 0 – 5% – nil vests • 5% – 10% – pro rata up to 100% • > 10% – fully vests. • The Board applies an 'Adjusted NPAT pre performance fee' for the purpose of calculating the 3-year EPS CAGR achievement. Adjustments are agreed in advance by the Board as part of the annual budget setting process, for strategic development initiatives e.g M&A, transformational initiatives that impact short term NPAT, but are highly advantageous to medium term shareholder value accretion. • Employees participate in dividends and have voting rights from the date of grant. • On cessation of employment, no unvested shares shall vest unless the Board in its absolute discretion determines otherwise.	Shares

Element	Description	Detail	Paid as
Executive Long-Term Incentive (ELTI)	Designed to align Executive KMPs and key executives to the business strategy. The ELTI includes specific KPIs reflecting strategic targets to drive long-term shareholder value creation, encourage the achievement of AEI's long-term strategic goals, and to support the retention of key senior talent.	Awarded as percentage of Fixed Remuneration, ranging from 10% to 50% for selected senior executives. Issued as performance rights and vest as ordinary shares after 4 years, provided that: • Employee remains employed; and • Stretching financial and non-financial performance hurdles are achieved. Refer to section 4.7.1 for the specific performance hurdles relating to each grant. During the vesting period, ELTI participants are not entitled to receive dividends nor hold voting rights. On cessation of employment, all performance rights are forfeited unless the Board in its absolute discretion determines otherwise. Shareholder approval will be sought for the CEO's Long Term Incentive grant (equity rights) under the ELTI.	Performance Rights

In addition, Australian Ethical offers a comprehensive range of employee benefits across professional development, and financial, health and community wellbeing so employees can bring their best selves to work.

3.3 FY25 Changes and considerations

There are no material changes to compensation structures anticipated in FY25, however the Board are in the process of considering the implications of the Financial Accountability Regime (FAR) .

A new FY25 ELTI grant with a vest date of 1 September 2028 is being considered which is expected to be based on a similar percentage of fixed remuneration for KMPs as in FY24. Like recent grant allocations, there will be no multiplier mechanism applied. The performance hurdles for this grant are yet to be determined. Shareholder approval will be sought for the CEO's Long Term Incentive grant (equity rights) under the ELTI.

4. Executive KMP remuneration outcomes for FY24

4.1 Corporate performance

In considering the Company's short-term incentive payments, regard is had to the following measures which reflect Australian Ethical's performance across a range of metrics over the last six years:

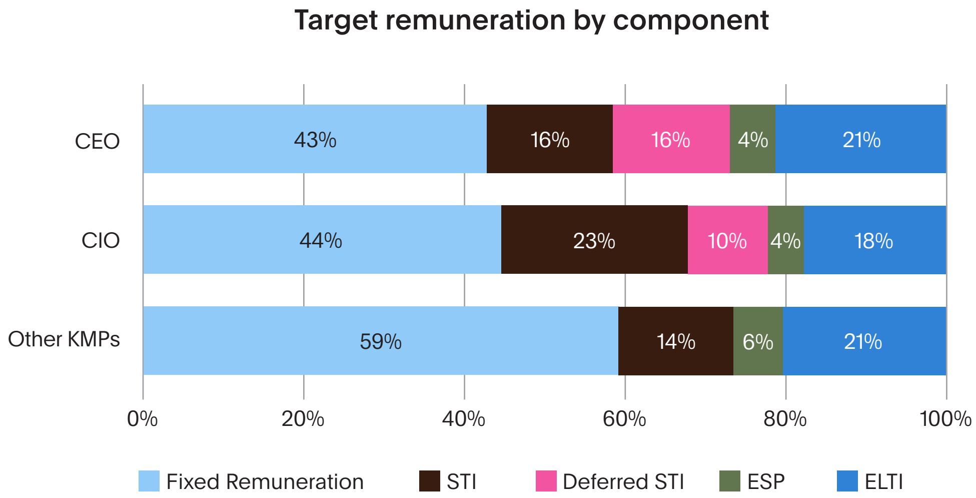
	2019	2020	2021	2022	2023	2024	2024 % growth
FUM at year end ($ billion)	3.42	4.05	6.07	6.20	9.20	10.44	13%
Net inflows ($ billion) – organic growth	0.33	0.66	1.03	0.94	0.47	0.61	30%
Net inflows ($ billion) – M&A	–	–	–	–	1.93	–	–
Operating Revenues ($'000)	40,977	49,902	59,110	70,784	81,096	100,491	24%
Performance fees ($'000) included above	769	3,640	2,895	375	–	187	–
Underlying Profit After Tax (UPAT) ($'000)^	6,540	9,279	11,052	10,284	11,789	18,519	57%
Net Profit After Tax attributable to shareholders ($'000)	6,465	9,457	11,261	9,597	6,576	11,847	80%
UPAT pre performance fee	6,024	7,028	9,167	10,044	11,789	18,441	56%
NPAT pre performance fee	5,949	7,206	9,377	9,356	6,576	11,769	79%
Adjusted NPAT (pre performance fee)^	5,949	7,206	9,377	10,043	9,189	16,281	77%
Diluted Earnings Per Share (cents per share)	5.84	8.42	10.02	8.55	5.84	10.51	80%
Diluted EPS growth (based on Adjusted NPAT pre performance fee) (3 years)	25.3%	36.4%	23.2%	19.1%	8.4%	20.2%	–
Dividends (cents per share, restated for share split)	5.00	5.00	7.00	6.00	7.00	9.00	29%
Special performance fee dividend (cents per share)^^	–	1.00	1.00	–	–	–	–
Staff engagement scores	71%	86%	82%	79%	70%	79%	13%

^ Underlying Profit After Tax and 'Adjusted NPAT pre performance fee' are non-IFRS measures and are not audited albeit reconciled to the audited statutory profit. Adjusted NPAT pre performance fee' has been reported for 2022 and 2023, in accordance with 2024 methodology as if adjustments applied retrospectively.

^^ The special performance fee dividend is linked to the performance fee achieved on the Emerging Companies Fund outperformance in FY20 and FY21.

4.2 Weighting of remuneration components

The following are the weightings of the various components of target remuneration for the CEO, CIO and all other KMP. Target remuneration is the remuneration that KMP expect to be paid if all of their strategic initiatives are achieved.



4.3 Short-Term incentive (STI) outcomes

4.3.1 Performance measures for short term incentives

Performance measures for Short-Term Incentives (STI) are based on a Balanced Scorecard of financial and non-financial metrics and an individual's specific performance objectives. Employees have no contractual right to receive an STI award and the Board retains discretion to amend or withdraw the STI at any time. Adherence to the Company's values and risk culture are required to remain eligible for an STI award. The following table provides the overall Balanced Scorecard and the performance outcomes for these objectives for the financial year ended 30 June 2024. The following outcomes have been taken into account when assessing short term incentives for Executive KMPs.

Measure	Weight	Target	Weighted Outcome	Why this metric is appropriate	Achievement comments
Financial	50%	UPAT $15.3m	Not met / Met / Exceeded	UPAT & NPAT targets provide alignment to the Group's financial performance. The targets were set in context of investment required to underpin the growth strategy outlined in August 2021.	FY24 UPAT of $18.5m exceeds target by 21%
		NPAT $11.2m	Not met / Met / Exceeded	$15.3m UPAT represents a 30% increase on FY23 actual.	FY24 NPAT of $11.8m exceeds target by 5%
		Cost to income ratio <77.6%	Not met / Met / Exceeded	Metric reflects goal of achieving improved operating leverage as the business scales	Cost to income ratio of 74% exceeds target by 3.6ppts
		$650m net flows	Not met / Met / Exceeded	Growth and scale will benefit our customers through lower fees and better products and service. It also allows us to deliver greater social and environmental impact.	Net flows of $607m is 7% below target of $650m
Business Transformation	20%	Successful delivery of below key transformational projects: 1. New customer administration agreement executed and transition plan finalised in FY24, to deliver meaningful unit cost improvement in FY25. 2. New Custodian agreement executed in FY24, to deliver meaningful unit cost improvement in FY25 3. Exploration and pipeline of accretive M&A 4. Asset class strengthening in fixed income, private markets and international equities, via capability build within investment team and execution of partnerships/ acquisition opportunities	Not met / Met / Exceeded	Delivery of key transformation strategic initiatives is critical to underpin the growth strategy, which will deliver improved shareholder returns.	1. Administration transition agreement executed & project on track for delivery in FY25 2. Custody transition, including unit cost savings, on track for FY25 delivery. 3. M&A pipeline: Altius acquisition due to be completed in September. Strong M&A pipeline in progress. 4. Altius acquisition to strengthen Fixed Income capability. New Head of Private Markets role commenced, providing new private markets expertise. Internal international fund launched in July to support multi-asset funds.

Measure	Weight	Target	Weighted Outcome	Why this metric is appropriate	Achievement comments
Reputation & Customer experience	10%	Responsible Investment Leadership recognition • Morningstar Global ESG Commitment Leader • RIAA RI leader	Not met Met Exceeded	Provides an evidence point for our strategy of becoming a powerful influence in ethical investing. Supports our brand strength and growth in customer numbers.	• AE recognised as Morningstar ESG commitment leader, achieved by only 8 asset managers covered globally • AE named as a RIAA RI leader
		B Corp Leadership • Top 5% rated B Corp in Australia and NZ	Not met Met Exceeded	An independent certification to reflect high standards of verified social and environmental performance, accountability and transparency. An evidence point of our deeply ethical business.	Highest scoring Certified B Corp in Australia and NZ* achieving a record score.
		Compelling customer experience • Superannuation Customers NPS top 10	Not met Met Exceeded	Customer satisfaction with product and service drives improved customer and business outcomes, improved reputation and underpins long term growth and shareholder returns.	4th highest NPS**. As measured and externally benchmarked by Investment Trends in March 2024 and published in May 2024.
People	10%	Employee engagement • Top Quartile Finance Australia	Not met Met Exceeded	Providing a motivating and inspiring workplace and high employee engagement has been proven to drive better business outcomes for customers and shareholders.	Financial Services top quartile employee engagement score of 79%***.

* As at 13 July 2023, the date of our last assessment

** Investment Trends Super Member Engagement Report 2024. Independent research with 29 major super funds

*** Top quartile for Financial Services Australia. See: cultureamp.com/science/insights/financial-services-australia

Measure	Weight	Target		Weighted Outcome	Why this metric is appropriate	Achievement comments
Investment Performance	10%	MF ASF achieves benchmark	1 year	Not met Met Exceeded	Delivering long term competitive investment returns for our customers is core to our offering. It underpins growth in netflows, FUM and revenue which in turn enhances shareholder returns.	ECF outperforming benchmarks, ASF and BF below target at 30 June 24 for 1 and 3 years.
			3 years	Not met Met Exceeded		
		MF ECF achieves benchmark	1 year	Not met Met Exceeded		
			3 years	Not met Met Exceeded		
		MF BF achieves benchmark	1 year	Not met Met Exceeded		
			3 years	Not met Met Exceeded		

Measure	Weight	Target		Weighted Outcome	Why this metric is appropriate	Achievement comments
Investment Performance (Cont.)		MF ASF v peers – achieve 2nd quartile	1 year	Not met / Met / Exceeded	Delivering long term competitive investment returns for our customers is core to our offering. It underpins growth in netflows, FUM and revenue which in turn enhances shareholder returns.	ASF and ECF met target for 1-year returns. BF was below target for 1-year. Tracking below all 3-year targets in the 4th quartile. As measured against June 2024 Mercer Quarterly performance survey (wholesale).
			3 years	Not met / Met / Exceeded		
		MF ECF v peers – achieve 2nd quartile	1 year	Not met / Met / Exceeded		
			3 years	Not met / Met / Exceeded		
		MF BF v peers– achieve 2nd quartile	1 year	Not met / Met / Exceeded		
			3 years	Not met / Met / Exceeded		
		Superfund - Balanced accum option v peers– achieve 2nd quartile	1 year	Not met / Met / Exceeded	Delivering long term competitive investment returns for our super members is core to our offering. It underpins growth in netflows, FUM and revenue which in turn enhances shareholder returns.	Tracking below targets for 1-year and 3-years. Source: June 2024 Superratings SR50 Balanced (60-76) ranking.
			3 years	Not met / Met / Exceeded		

Short-Term incentive modifier

The Board recognises that the Balanced Scorecard outcome needs to be assessed in combination with other factors in order to make effective reward decisions.

As such, an overall risk assessment is applied to the scorecard outcome, through assessment of the following factors:

- Risk appetite compliance
- Embedded risk culture as evidenced by: managing incidents and risks out of tolerance back into tolerance; lack of significant regulatory issues; training compliance; behaviours demonstrating AE acting in the best interests of customers

Measurement is made via a combination of factual and subjective assessment and if triggered, the impact has a modifier impact on overall STI allocation for the KMP. The modifier can vary between zero and 100%, and therefore acts as a gateway and a downwards adjustment mechanism.

The Chief Risk Officer has determined that no risk matters have been identified which would justify the application of a modifier. The Board has determined that no downward modifier is applicable for 2024 STI outcomes for Executive KMPs.

The CEO's performance is assessed on the Company Balanced Scorecard and a number of equally weighted strategic initiatives such as:

- Leadership and team development,
- Strategy development and execution,
- Brand and reputation,
- Strategic partnerships including mergers and acquisitions.

The PRN considered the Executive KMP's STI awards in light of the Balanced Scorecard achievements, and each individual's contribution to the results and recommended to the Board each Executive KMP STI award, as reflected in the statutory table. In addition to the Balanced Scorecard, each Executive KMP is also assessed on a range of individual objectives relevant to their role and responsibilities. The awards reflect recognition of the performance of each Executive KMP, their team and the achievement of strategic initiatives.

4.3.2 Short-Term incentives awarded

The below table shows for each Executive KMP how much of their STI bonus was awarded, in relation to the maximum incentive pay they were entitled to. The Executive KMP bonuses are subject to Board approval and all other employee bonuses are approved by the CEO – minimum is 0%.

	Total STI Bonus (Cash and Deferred Shares)					
Name	**Opportunity as a % of Fixed Remuneration**		**Target Opportunity**	**Maximum Opportunity (2 x Target)**	**Awarded**	**Achieved as % of Maximum Opportunity[1]**
	Target %	**Max %**	**$**	**$**	**$**	**%**
J McMurdo	75%	150%	414,000	828,000	570,000	69%
M Enander	25%	50%	97,125	194,250	121,406	62%
K Hughes	20%	40%	65,000	130,000	71,500	55%
M Loyez	25%	50%	100,000	200,000	110,000	55%
R Piper	25%	50%	111,250	222,500	60,000	27%
M Simons	25%	50%	111,250	222,500	100,000	45%
L Theau	75%	150%	376,697	753,394	376,697	50%

1 Forfeiture %, in accordance with Corporations Regulation 2001 – Reg 2M.3.03 clause 12(f), is calculated as 100% less the Achieved %

4.4 Employee share plan (ESP)

The ESP is currently awarded at 10% of fixed remuneration to all eligible staff. It serves the intent of the Australian Ethical Charter, and Company Constitution which seeks to enable all employees to share in ownership of the company and encourage behaviours and achievement consistent with the long-term success of the Company.

The ESP vesting outcome is determined against a pre-approved metric, being 'Adjusted NPAT pre performance fee'.

Adjusted NPAT pre performance fee of $16.28 million was achieved in FY24, which reflects 3 year EPS cumulative average growth rate (CAGR) of 20.2%, materially above the 10% hurdle for 100% vesting of the ESP.

The items approved by the Board at the start of FY24 for adjustments to NPAT, for the purpose of calculating achievement of the targeted measures, reflect transformational strategic initiatives which required a short-term investment to drive attractive medium to long-term shareholder value creation. It is considered that these costs reflect Board approved investment decisions to underpin the growth strategy.

The below table outlines the Board pre approved adjustments for the calculation of 'Adjusted NPAT pre performance fee' as compared to statutory NPAT and UPAT for FY24.

Profit item	$m	Reason for adjustment
NPAT attributable to shareholders (pre performance fee)	11.77	Incentive payments relating to performance fees are allocated separately to select members of the Investment Team. Performance fees do not form part of this calculation.
Add: Superannuation administrator transition expenses	3.55	This is a Board agreed transformational initiative to underpin the growth strategy, and encompasses the consolidation of administration providers. This initiative is expected to deliver substantial savings to ongoing super administration expenses post completion in FY25.
Add: Merger & acquisition expenses	0.96	Board agreed initiative to pursue specific inorganic growth opportunities to drive long term business growth. Expenses reflect due diligence and transaction costs for the acquisition of Altius Asset Management and other agreed merger and acquisition pipeline activities.
Adjusted NPAT pre performance fee	**16.28**	**Measure against which EPS vesting is assessed**
Sentient write-off	2.16	Whilst adjusted for UPAT, the Sentient write-off is not considered an adjustment for 'Adjusted NPAT'. Management are held accountable for business investments and write-downs.
UPAT (pre performance fee)	18.44	

All adjustments are shown net of tax

4.5 Executive Long-Term Incentive (ELTI)

There were no Executive KMP or Senior Executive Long-Term Incentive awards vested or paid in FY24.

The first tranche of ELTI awards are due to vest at the end of FY25 subject to meeting the ELTI performance measures outlined in section 4.7.1.

4.6 Executive KMP Remuneration Outcomes – statutory and cash and vesting basis

The following two tables set out Executive KMP remuneration.

- The table 'Executive KMP Remuneration Outcomes – Statutory Basis' is aligned to the way the Company expenses (accrues) the remuneration of the Executive KMP under the accounting standards and the Corporations Act.
- The table 'Executive KMP Remuneration Outcomes – Cash and Vesting Basis' shows amounts received by the Executive KMP in cash and shares vested during the financial year ended 30 June 2024.

The movement in the Executive KMP remuneration outcomes (statutory basis) between FY23 and FY24 is due to:

- Chief Executive Officer (CEO) – the increase is attributable to an increase in salary in line with industry benchmarking. FY24 cash STI has remained in line with FY23
- Chief Investment Officer (CIO) - the increase is due timing of commencement of employment (part way through FY23). Further, in FY23 the CIO was not eligible for STI due to timing of commencement of employment

- Other Executive KMP – increase due to timing of commencement of Chief Executive Superannuation part way through FY23. Further, increases in individual salaries in line with responsibilities and industry benchmarking to ensure reward remains competitive and fair. Bonuses vary from year to year based on individual and company performance
- Performance rights (ELTI) expense in FY23 reflects the write-back of the rights granted on 1 December 2021 to reflect the probability of the rights achieving the performance hurdles (refer to section 4.7.1). FY24 ELTI expense relates to ELTI granted on 1 December 2022 and 1 December 2023.

Executive KMP remuneration outcomes – statutory basis

The table below outlines Executive KMP remuneration as calculated in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amount expensed (accrued) in the Company's financial statements for the particular year based on the Balanced Scorecard and other agreed KPIs.

	Short Term Benefits		Post-Employment Benefits			Long Term Benefits					
Name	**Salary $**	**STI – Cash[1] $**	**Super-annuation $**	**Termination Benefits $**	**Long Service Leave $**	**Deferred STI – Equity[2] $**	**ESP – Equity[3] $**	**ETI – Rights[4] $**	**Total $**	**STI as a % of Fixed Remuneration**	**Variable Rem as a % of Total Remuneration**
2024 financial year											
Current Executive KMP											
J McMurdo[5]	520,497	285,000	27,399	–	10,726	297,077	52,567	129,173	1,322,439	106.2%	57.8%
M Enander	352,579	121,406	27,399	–	8,388	–	36,950	72,777	619,498	32.0%	37.3%
K Hughes	296,172	71,500	27,399	–	10,026	–	31,333	15,348	451,778	22.1%	26.2%
M Loyez	375,361	110,000	27,399	–	8,829	–	38,000	74,842	634,431	27.3%	35.1%
R Piper	416,263	60,000	27,399	–	12,946	–	23,530	84,403	624,540	13.5%	26.9%
M Simons	413,751	100,000	27,399	–	15,260	41,667	42,167	83,006	723,250	32.1%	36.9%
L Theau	474,864	263,688	27,399	–	9,663	28,252	20,779	49,552	874,197	58.1%	41.4%
Total 2024	**2,849,487**	**1,011,594**	**191,793**	**–**	**75,839**	**366,996**	**245,326**	**509,101**	**5,250,133**	**45.3%**	**40.6%**
2023 financial year											
Current Executive KMP											
J McMurdo[5]	493,712	285,000	27,500	–	9,747	253,004	99,739	(21,315)	1,147,387	103.2%	55.6%
M Enander	313,455	92,500	27,500	–	7,355	15,625	34,000	(11,757)	478,679	31.6%	29.7%
K Hughes	287,435	70,000	25,292	–	9,991	–	30,000	(2,558)	420,160	22.4%	23.8%
M Loyez	349,439	100,000	27,500	–	8,058	6,250	34,906	(12,134)	514,020	28.2%	27.5%
R Piper (commenced 25 Nov 2022)	234,180	70,000	24,589	–	8,551	–	–	31,179	368,499	27.1%	19.0%
M Simons	389,470	100,000	27,500	–	13,393	66,667	38,667	(13,641)	622,054	40.0%	33.0%
L Theau (commenced 3 April 2023)	73,094	–	6,323	–	1,554	–	–	–	80,971	–	–
D Macri (departed 31 Dec 2022)	308,329	–	27,500	–	7,789	–	43,543	(45,932)	341,229	–	12.8%
Total 2023	**2,449,115**	**717,500**	**193,704**	**–**	**66,438**	**341,546**	**280,855**	**(76,158)**	**3,972,499**	**39.1%**	**33.7%**

1 The Short-term Incentive ('STI') expense is the amount accrued for performance during the respective financial year using agreed KPI's. The 2024 amounts were approved by the Board. STI in excess of $100,000 is typically paid in deferred shares (with exception of the CEO and CIO who have additional deferral requirements).

2 The Deferred Short-term incentive ('DSTI') expense for 2024 includes the current year expense impact of deferred shares in the FY21, FY22, FY23 and FY24 grants. The cost of shares is fixed at the time of grant and expensed on a straight-line basis over the vesting period which ranges from 1 to 3 years.

3 The ESP Equity expense for 2024 includes the relevant 2024 expense impact of each of the FY22, FY23 and FY24 grants under the Employee Share Plan. The cost of shares is fixed at time of grant and expensed over a three-year period using an annual probability assessment of the hurdles being met at the end of the vesting period. The FY21 tranche will vest at an individual level in September 2024.

4 The ELTI rights expense includes the current year expense impact of the Executive LTI (ELTI) granted in FY21, FY22 and FY23, based on the grant price of $13.54, $4.54 and $4.49 respectively. The life-to-date expense relating to the FY21 grant was written back as the probability of achieving the performance hurdles was assessed as nil

5 The CEO was awarded 69% (2023: 72%) of his maximum STI incentive by the Board. The maximum incentive is 2 times his target STI at 30 June 2024. 50% of this award is paid in cash and the remaining 50% is paid in deferred shares over each of the next 3 years, with first vest in September 2025.

Executive KMP remuneration outcomes – cash and vesting basis (non-IFRS, audited)

The table below reflects actual benefits received by each Executive KMP during the reporting period including prior year bonus paid in cash in the current year and the value of shares vested under the employee share plans.

Name	Short-Term Benefits Salary[1] $	Short-Term Benefits Cash Bonus $	Short-Term Benefits Equity $	Post-Employment Benefits Super-annuation[1] $	Termination Benefits $	Long-Term Benefits Long Service Leave $	Long-Term Benefits ESP – Equity[2,3] $	ELTI – Rights $	Total $	Performance Related %
2024 financial year										
Current Executive KMP										
J McMurdo	531,076	285,000	128,812	27,399	–	10,726	184,092	–	1,167,105	40.2%
M Enander	354,308	92,500	28,731	27,399	–	8,388	32,199	–	543,524	22.9%
K Hughes	297,423	70,000	0	27,399	–	10,026	26,671	–	431,518	22.4%
M Loyez	376,951	100,000	11,454	27,399	–	8,829	31,976	–	556,609	23.7%
R Piper	416,731	70,000	0	27,399	–	12,946	0	–	527,075	13.3%
M Simons	416,773	100,000	40,085	27,399	–	15,260	31,819	–	631,336	20.9%
L Theau	475,277	0	0	27,399	–	9,663	0	–	512,339	0.0%
Total 2024	**2,868,539**	**717,500**	**209,081**	**191,792**	**–**	**75,839**	**306,757**	**–**	**4,369,506**	**23.4%**
2023 financial year										
Current Executive KMP										
J McMurdo	499,297	281,250	81,638	27,500	–	9,747	–	–	899,432	31.3%
M Enander	314,223	100,000	–	27,500	–	7,355	–	–	449,078	22.3%
K Hughes	288,963	72,000	–	25,292	–	9,991	85,536	–	481,782	32.7%
M Loyez	350,153	100,000	–	27,500	–	8,058	–	–	485,711	20.6%
R Piper (commenced 25 Nov 2022)	234,180	–	–	24,589	–	41,994	–	–	300,763	–
M Simons	392,235	100,000	–	27,500	–	13,393	92,923	–	626,051	30.8%
L Theau (commenced 3 April 2023)	73,094	–	–	6,323	–	1,554	–	–	80,971	–
D Macri (departed 31 Dec 2022)	311,326	157,500	–	27,500	–	7,789	498,411	–	1,002,525	65.4%
Total 2023	**2,463,471**	**810,750**	**81,638**	**193,704**	**–**	**99,881**	**676,870**	**–**	**4,326,313**	**34.4%**

1 Fixed remuneration – includes base salary, payments made to superannuation funds and dividend income on unvested shares.

2 ESP – Equity 2024 represents the market value of vested shares during the financial year relating to employee share plan shares granted in September 2020. 100% of these shares vested as the performance criteria was fully achieved. The market value on the vesting date was $4.24 (price at grant was $4.53).

3 ESP – Equity 2023 represents the market value of vested shares during the financial year relating to employee share plan shares granted in September 2019. 100% of these shares vested as the performance criteria was fully achieved. The market value on the vesting date was $6.45 (price at grant was $2.15).

4.7 ELTI - performance rights

Rights to ordinary shares under the Executive LTI program are granted each year on 1 December, with the first grant in 2021. The number of performance rights allocated to each Executive KMP was determined as follows:

- Granted FY21 and FY22: based on the average share purchase price supporting the ESP program up to grant date
- Granted FY23: using an allocation price based on the 60-day variable weighted average price for the period 25 August to 16 November 2023.

On vesting, each right automatically converts into one ordinary share.

The fair value of the performance rights was determined based on the market price of the company's shares at the grant date, with an adjustment made for dividends foregone during that period.

	Allocation Price	Fair Value Price
Granted 1 December 2021	$10.34	$13.54
Granted 1 December 2022	$5.29	$4.54
Granted 1 December 2023	$4.37	$4.49

The table below shows the number of rights granted on 1 December 2021 and the grant value of those rights based on the assumption that the first performance hurdle of $15bn of FUM is achieved by 30 June 2025 (1 times multiplier). For each incremental FUM hurdle of $2.5bn, a multiplier of 2 through to 6 would be applied. The maximum opportunity is 7 times the base number of rights granted, which would only vest if $30bn FUM is achieved along with other KPIs in 2025. Therefore, the maximum fair value of rights would be 7 times the fair value presented in the table below. Refer to ELTI Performance Measures table below for detailed vesting requirements.

At this time, the performance hurdles for the Performance Rights granted 1 December 2021 have not yet been met. The Board's assessment is that the likelihood of meeting the performance hurdles by the vest date is less likely than more likely given the growth still required to achieve the threshold. Accordingly, the fair value of these rights has been written down to nil.

This probability assessment does not change the ambitious growth that is still being targeted including both organic and inorganic growth. Should the assessment be probable at a future date, then this write-back will be revisited.

Statutory expense in the 'Remuneration Outcomes – Statutory Basis' table above includes the impact of the write-back.

Granted 1 December 2021*	Granted as % of Fixed Remuneration	No. of Rights Granted (based on 1 times multiplier)	Grant Value of Rights (based on 1 times multiplier)	Fair Value of Rights
J McMurdo	50%	24,178	$327,369	–
M Enander	40%	13,540	$183,327	–
K Hughes	10%	2,901	$39,284	–
M Loyez	40%	13,926	$188,565	–
R Piper	25%	10,517	$142,406	–
M Simons	40%	15,474	$209,516	–

* This grant includes a potential multiplier of 1 to 7 times

The table below shows the number of rights granted on 1 December 2022 and 2023 and the grant value of those rights. The Board's assessment is that it is probable that the performance hurdles for these tranches will be achieved.

The multiplier mechanism does not apply to the ELTI tranches vesting 1 September 2026 and 2027.

Granted 1 December 2022	Granted as % of Fixed Remuneration	No. of Rights Granted	Fair Value of Rights
J McMurdo	50%	49,622	$225,284
M Enander	40%	27,977	$127,017
K Hughes	10%	5,955	$27,034
M Loyez	40%	28,733	$130,450
R Piper	40%	32,892	$149,331
M Simons	40%	31,758	$144,181
L Theau (commenced 3 April 2023, after grant date)	–	–	–

Granted 1 December 2023	Granted as % of Fixed Remuneration	No. of Rights Granted	Fair Value of Rights
J McMurdo	50%	63,158	283,579
M Enander	40%	35,561	159,668
K Hughes	10%	7,437	33,392
M Loyez	40%	36,613	164,392
R Piper	40%	40,732	182,886
M Simons	40%	40,732	182,886
L Theau	40%	45,974	206,423

4.7.1 ELTI Performance measures

There are some differences in performance measurements for the tranches granted in 2021, 2022 and 2023 outlined below.

	Granted 1 December 2023*	**Granted 1 December 2022**	**Granted 1 December 2021**
Performance measures	Financial measures: • Net flows, including no more than 50% from M&A activity, over the 4-year vesting period of $6.05bn • Underlying cost to income ratio of no more than 75%** Non-financial measures: • Median NPS (Net Promoter Score) for Financial Services companies in Australia^ • Median employee engagement score for financial services companies in Australia^^; and • Continued compliance with the aims of our Ethical Charter.	Financial measures: • Net flows, including no more than 50% from M&A activity, over the 4-year vesting period of $6.05bn • Underlying cost to income ratio of no more than 75%** Non-financial measures: • Median NPS (Net Promoter Score) for Financial Services companies in Australia^ • Median employee engagement score for financial services companies in Australia^^; and • Continued compliance with the aims of our Ethical Charter.	Financial measures: • $15bn of FUM as at 30 June 2025, and with each incremental increase in FUM of $2.5bn, a multiplier to the base award is applied ranging from 2 to a maximum of 7 times at $30bn* • Underlying operating cost to Income ratio of no more than 75%** Non-financial measures: • Median NPS score for both super and managed funds to measure customer satisfaction^ • Median employee engagement score for financial services companies^^, and • Continued compliance with the aims of our Ethical Charter.
Vesting period	Four years, ending 30 June 2027	Four years, ending 30 June 2026	Four years, ending 30 June 2025

* A multiplier of the base award will apply at each FUM target achieved. If the maximum stretch FUM target of $30bn by 30 June 2025 (along with other KPIs) is achieved, then the maximum multiplier of 7 times the base award will apply.

** Based on achievement of the underlying cost to income ratio for the year in which the rights vest.

^ Achievement of at least median NPS. This includes NPS scores for both super and managed funds based on Investment Trends survey, or a comparable survey approved by the Board. NPS is to be monitored on an annual basis and KPI specifically references the results achieved in the financial year in which the rights vest.

^^ Achievement of at least median employee engagement score, based on Culture Amp Employee Engagement Survey based on employee responses to Say, Stay, Strive questions for the year in which the rights vest

In implementing the ELTI opportunity, the Board was cognisant of the remuneration philosophy remaining consistent with the Ethical Charter and ensuring that the structure of the ELTI closely aligns the interests of Executive KMP with those of shareholders. The ELTI opportunity was designed to drive greater long-term business impact and purpose, with challenging stretch targets and longer vesting horizons and to reward those key to that success.

4.8 Unvested and ordinary shares

The movement during the reporting period in the number of unvested shares and ordinary shares in the Company, held directly, or beneficially, by each key management person, including their related parties is outlined in the table below.

Name	Grant Date	Vesting Date	Share Price at Grant Date	Balance at 1–Jul–23	Number of shares/rights granted	Number of shares/rights forfeited	Number of shares vested	Number of shares sold	Balance at 30–Jun–24
J McMurdo									
Unvested Deferred STI shares & ESP	1–Sep–20	1–Sep–23	4.53	48,602	–	–	(48,602)	–	–
Unvested Deferred STI shares	1–Sep–21	1–Sep–23	9.80	7,459	–	–	(7,459)	–	–
Unvested Deferred STI shares & ESP	1–Sep–21	1–Sep–24	9.80	12,562	–	–	–	–	12,562
Unvested Deferred STI shares	1–Sep–22	1–Sep–23	5.29	17,722	–	–	(17,722)	–	–
Unvested Deferred STI shares	1–Sep–22	1–Sep–24	5.29	17,722	–	–	–	–	17,722
Unvested Deferred STI shares & ESP	1–Sep–22	1–Sep–25	5.29	27,646	–	–	–	–	27,646
Unvested Deferred STI shares	1–Sep–23	1–Sep–24	4.53	–	20,989	–	–	–	20,989
Unvested Deferred STI shares	1–Sep–23	1–Sep–25	4.53	–	20,989	–	–	–	20,989
Unvested Deferred STI shares & ESP	1–Sep–23	1–Sep–26	4.53	–	33,185	–	–	–	33,185
Ordinary shares				17,845	–	–	73,783	–	91,628
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	24,178	–	–	–	–	24,178
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	49,622	–	–	–	–	49,622
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	63,158	–	–	–	63,158
Total				**223,358**	**138,321**	**–**	**–**	**–**	**361,679**
M Enander									
Unvested ESP shares	1–Sep–20	1–Sep–23	4.53	6,620	–	–	(6,620)	–	–
Unvested ESP shares	1–Sep–21	1–Sep–24	9.80	3,571	–	–	–	–	3,571
Unvested ESP shares	1–Sep–22	1–Sep–25	5.29	6,994	–	–	–	–	6,994
Unvested ESP shares	1–Sep–23	1–Sep–26	4.53	–	8,583	–	–	–	8,583
Unvested Deferred STI shares	1–Sep–22	1–Sep–25	5.29	5,907	–	–	(5,907)	–	–
Ordinary shares				–	–	–	12,527	(12,527)	–
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	13,540	–	–	–	–	13,540
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	27,977	–	–	–	–	27,977
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	35,561	–	–	–	35,561
Total				**64,609**	**44,144**	**–**	**–**	**(12,527)**	**96,226**
K Hughes									
Unvested ESP shares	1–Sep–20	1–Sep–23	4.53	6,289	–	–	(6,289)	–	–
Unvested ESP shares	1–Sep–21	1–Sep–24	9.80	3,061	–	–	–	–	3,061
Unvested ESP shares	1–Sep–22	1–Sep–25	5.29	5,955	–	–	–	–	5,955
Unvested ESP shares	1–Sep–23	1–Sep–26	4.53	–	7,180	–	–	–	7,180
Ordinary shares				18,835	–	–	6,289	(5,579)	19,545
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	2,901	–	–	–	–	2,901
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	5,955	–	–	–	–	5,955
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	7,437	–	–	–	7,437
Total				**42,996**	**14,617**	**–**	**–**	**(5,579)**	**52,034**

Name	Grant Date	Vesting Date	Share Price at Grant Date	Balance at 1–Jul–23	Number of shares/rights granted	Number of shares/rights forfeited	Number of shares vested	Number of shares sold	Balance at 30–Jun–24
M Loyez									
Unvested ESP shares	1–Sep–20	1–Sep–23	4.53	6,779	–	–	(6,779)	–	–
Unvested ESP shares	1–Sep–21	1–Sep–24	9.80	3,673	–	–	–	–	3,673
Unvested ESP shares	1–Sep–22	1–Sep–25	5.29	7,183	–	–	–	–	7,183
Unvested ESP shares	1–Sep–23	1–Sep–26	4.53	–	8,837	–	–	–	8,837
Unvested Deferred STI shares	1–Sep–22	1–Sep–25	5.29	2,363	–	–	(2,363)	–	–
Ordinary shares				–	–	–	9,142	(9,142)	–
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	13,926	–	–	–	–	13,926
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	28,733	–	–	–	–	28,733
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	36,613	–	–	–	36,613
Total				**62,657**	**45,450**	**–**	**–**	**(9,142)**	**98,965**
R Piper									
Unvested ESP shares	1–Sep–23	1–Sep–26	4.53	–	15,596	–	–	–	15,596
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	10,517	–	–	–	–	10,517
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	32,892	–	–	–	–	32,892
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	40,732	–	–	–	40,732
Total				**43,409**	**56,328**	**–**	**–**	**–**	**99,737**
M Simons									
Unvested ESP shares	1–Sep–20	1–Sep–23	4.53	7,503	–	–	(7,503)	–	–
Unvested ESP shares	1–Sep–21	1–Sep–24	9.80	4,082	–	–	–	–	4,082
Unvested ESP shares	1–Sep–22	1–Sep–25	5.29	7,940	–	–	–	–	7,940
Unvested ESP shares	1–Sep–23	1–Sep–26	4.53	–	9,832	–	–	–	9,832
Unvested Deferred STI shares	1–Sep–22	1–Sep–23	5.29	9,452	–	–	(9,452)		–
Unvested Deferred STI shares	1–Sep–22	1–Sep–24	5.29	5,671	–	–	–		5,671
Unvested Deferred STI shares	1–Sep–23	1–Sep–24	4.53	–	11,047	–	–		11,047
Unvested Deferred STI shares	1–Sep–23	1–Sep–25	4.53	–	4,419	–	–		4,419
Ordinary shares				40,000	–	–	16,955	(10,000)	46,955
Unvested Performance rights	1–Dec–21	1–Sep–25	10.34	15,474	–	–	–	–	15,474
Unvested Performance rights	1–Dec–22	1–Sep–26	5.29	31,758	–	–	–	–	31,758
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	40,732	–	–	–	40,732
Total				**121,880**	**66,030**	**–**	**–**	**(10,000)**	**177,910**
L Theau									
Unvested ESP shares	1–Sep–23	1–Sep–25	4.53	–	13,772	–	–		13,772
Unvested Performance rights	1–Dec–23	1–Sep–27	4.37	–	45,974	–	–	–	45,974
Total				**–**	**59,746**	**–**	**–**	**–**	**59,746**

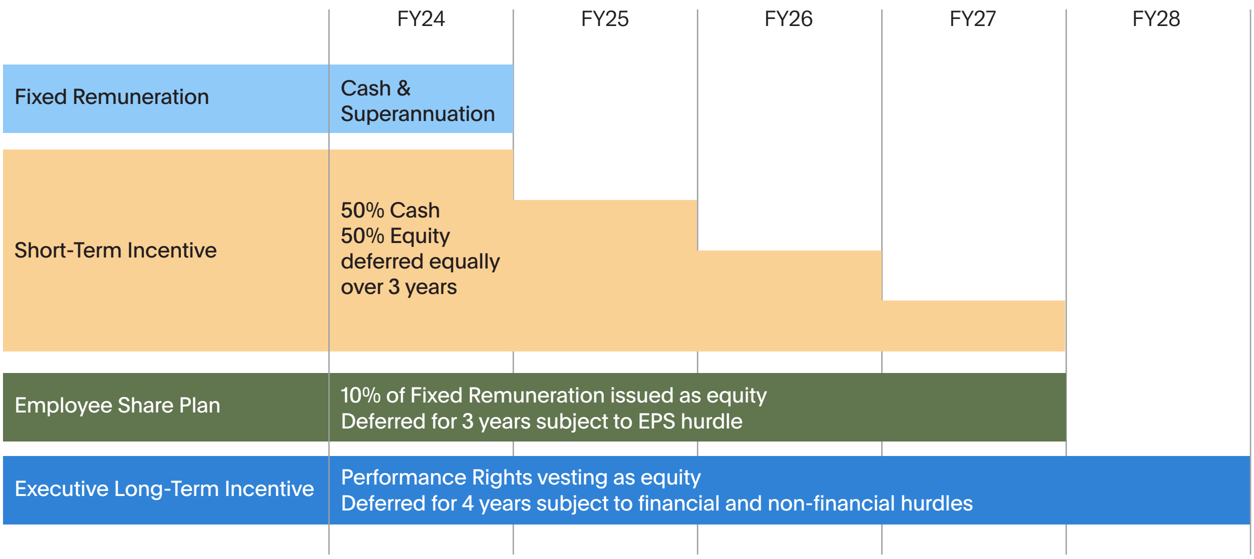
4.9 Contract terms

All Executive KMP's, except the Managing Director are permanent employees with a 12-week notice period.

The Managing Director & CEO remuneration structure is outlined below:

Salary	Term	Notice period	STI	ESP	ELTI	Malus Provision
Fixed salary from 1 September 2024 is $573,900 inclusive of super-annuation	No fixed term	6 months, however, could be terminated without notice due to negligence in carrying out responsibilities, dishonesty, breaching Company policies or criminal activity.	Target STI of 75% of fixed remuneration with a maximum STI of 2 times the target, based on a Balanced Scorecard of KPIs and specific objectives. Of the amount payable each year, 50% shall be paid in cash and 50% shall be deferred in the form of Company shares vesting as follows – one third one year after grant date, one third two years after grant date and one third three years after grant date.	Employee share plan – 10% of fixed remuneration. The shares are subject to the rules and terms of the Employee Share Plan. This has been reduced from 33% in 2021 to ensure ESP is aligned for all employees	Executive LTI – performance rights at 50% of fixed remuneration.	The Board has the discretion to reduce or cancel any STI or LTI for: • Fraudulent or dishonest conduct; • Material misstatements or omission in the financial statements; or • Circumstances that occur that the Board determines to have resulted in unfair or inappropriate benefit

The below graph summarises the structure of the variable incentive compensation paid or granted to the CEO in FY24. The graph depicts the combination of short and long term incentives granted and the upcoming vesting dates.



5. Non-Executive Director arrangements

The director fee pool available for payment to NEDs of the Company is approved by shareholders. The maximum annual aggregate pool for directors' remuneration is $1,000,000, which was approved at the AGM in October 2021. A review of NEDs' remuneration is undertaken annually by the Company Board, taking into account relevant benchmarking and recommendations from the PRN.

The following table sets out the agreed remuneration for NEDs by position for a full year, with effect from 1 November 2022. NEDs do not receive performance-related pay and are not provided with retirement benefits apart from statutory superannuation.

In total, directors' fees of $804,763 was paid during the year out of the director fee pool approved at the 2021 AGM of $1,000,000.

In addition to fixed remuneration, Non-Executive Directors (NEDs) are entitled to be paid reasonable expenses, remuneration for additional services and superannuation contributions. Non-Executive Directors are not eligible to participate in employee incentive plans and the Chair of Australian Ethical Superannuation Ltd does not receive any additional fees for chairing this Board.

From 1 November 2023	AEI $	AES $	The Foundation $
Base fees			
Chair	152,066	38,016	–
Other non-executive directors	86,895	38,016	–
Additional fees			
ARC – chair	28,512	19,008	–
ARC – member	16,293	10,862	–
Investment Committee (IC) – chair	28,512	–	–
Investment Committee (IC) – member	16,293	–	–
Due Diligence Committee – chair	5,431	–	–
Due Diligence Committee – member	5,431	–	–
Insurance Benefits Committee (IBC) – chair	–	5,431	–
Insurance Benefits Committee (IBC) – member	–	5,431	–
PRN – chair	–	–	–
PRN – member	–	–	–

5.1 Non-Executive Directors’ remuneration

The table below outlines Non-Executive Director reward as calculated in accordance with accounting standards and the Corporations Act 2001 requirements for the directors of the consolidated group. The amounts shown are equal to the amount expensed in the Company’s financial statements.

Name	Board Fee $	Audit, Risk & Compliance Committee $	People, Remuneration & Nominations Committee $	Investment Committee $	Due Diligence Committee $	Insurance Benefits Committee $	Super-annuation $	Total $
2024								
S Gibbs	169,050	24,150	–	–	4,830	4,830	22,315	225,175
K Greenhill	111,090	42,263	–	–	5,341	4,830	17,988	181,512
M Bun	111,090	24,150	–	14,490	–	–	16,470	166,200
S McCullagh	77,280	–	–	25,357	–	–	11,290	113,927
J Orr[1]	77,280	14,490	–	14,490	–	–	11,689	117,949
Total	**545,790**	**105,053**	**–**	**54,337**	**10,171**	**9,660**	**79,752**	**804,763**
2023								
S Gibbs	162,803	23,258	–	–	4,652	4,652	20,513	215,877
K Greenhill	106,985	40,701	–	–	–	4,652	15,995	168,333
M Bun	106,985	23,258	–	13,955	–	–	15,141	159,338
M Monaghan (retired 31 Mar 2023)	79,934	–	–	18,246	3,475	–	10,674	112,329
S McCullagh (app 1 Mar 2023)	25,091	–	–	7,351	–	–	3,406	35,848
J Orr[1]	74,424	13,955	–	13,955	–	–	10,745	113,078
Total	**556,222**	**101,172**	**–**	**53,507**	**8,127**	**9,304**	**76,474**	**804,803**

[1] J Orr is a director of Australian Ethical Investment Limited (AEI) and a member of AEI’s PRN, ARC and Investment Committees. She is not a director of Australian Ethical Superannuation Pty Limited (AES).

Mr Anderson is a Director of Australian Ethical Superannuation Pty Limited but is not a Director of Australian Ethical Investment Limited and is not a KMP. His remuneration is not included in the Director fee pool, and is not disclosed in the table above.

5.2 Shares owned by Non-Executive Directors

Name	Purchase date	Balance at 1 July 2023	No. of shares purchased	No. of shares sold	Balance at 30 June 2024
Non-Executive Directors					
M Bun					
AEF Ordinary shares	13-Nov-17	57,000	–	–	57,000
Total		**57,000**	**–**	**–**	**57,000**

6. Governance

6.1 The Role of the People, Remuneration and Nominations Committee (PRN)

The role of the PRN is to help the Board fulfil its responsibilities to shareholders through a strong focus on governance and in particular, the principles of accountability and transparency. The PRN operates under delegated authority from the Board.

The terms of reference include oversight of remuneration as well as executive development, talent management and succession planning.

The PRN members for the financial year ended 30 June 2024 were:

- Steve Gibbs (Chair),
- Mara Bun,
- Kate Greenhill,
- Julie Orr,
- Sandra McCullagh

The PRN met seven times during the year. Attendance at these meetings is set out in the Directors' Report. At the PRN's invitation, the Managing Director and Chief People & Culture Officer attended all meetings except where matters were associated with their own performance evaluation, development and remuneration were to be considered. The PRN considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including engaging remuneration consultants from time to time. Annually, the PRN assesses the eligibility for vesting of deferred shares.

6.2 CEO and Executive KMP Performance

The CEO is responsible for reviewing the performance of Executive KMPs and determining whether their performance requirements were met. In addition, the CEO has oversight of all employees' performance appraisals. Both quantitative and qualitative data is used to determine whether performance criteria are achieved.

An annual assessment of the CEO is completed by the Chair and is overseen by the Board, with input from the PRN. The review includes measurement of performance against agreed KPI's and Company performance. The PRN also has oversight of Executive KMP performance.

6.3 Malus Provisions

The Board has the discretion to reduce or forfeit awards where:

- the participant has acted fraudulently or dishonestly or is in breach of their obligations to the Company
- the Company becomes aware of material misstatement or omission in the financial statements of the Company, or
- circumstances occur that the Board determines to have resulted in unfair or inappropriate benefit to the recipient.

6.4 Hedging Policy

Senior executives participating in the Company's equity-based plans are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

6.5 Trading Restrictions and Windows

All directors and employees are constrained from trading the Company's shares during 'blackout periods'. These periods occur between the end of the half year and two days after the release of the half-year results, and between the end of the full year and two days after the release of the full year results. In addition, where potential price sensitive information is known and not required to be disclosed to the market, the directors and relevant employees are constrained from trading the Company's shares.

The Directors' report, incorporating the Remuneration report, is signed in accordance with a resolution of the Board of Directors.

STEVE GIBBS
Chair
People, Remuneration & Nominations Committee

28 August 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Ethical Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Ethical Investment Limited for the financial year ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

J Davis

Jessica Davis

Partner

Sydney

28 August 2024

Financial Statements and notes

Statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Parent 2024 $'000	Parent 2023 $'000
Revenue					
Operating revenue	5	100,491	81,096	84,866	69,604
Expenses					
Employee benefits	6	(33,963)	(27,454)	(33,471)	(26,938)
Fund related	7	(17,626)	(14,038)	(6,081)	(4,835)
Marketing	8	(9,113)	(11,694)	(9,113)	(11,694)
IT expenses	9	(4,270)	(3,536)	(4,226)	(3,430)
External services	10	(3,143)	(2,728)	(2,513)	(2,282)
Grants to non-profit organisations	11	(2,159)	(1,116)	(1,822)	(1,099)
Depreciation		(1,120)	(1,265)	(1,120)	(1,265)
Occupancy		(685)	(446)	(685)	(446)
Finance charges		(173)	(88)	(173)	(88)
Other operating expenses	12	(2,099)	(1,816)	(1,596)	(1,353)
Integration & transformation costs	13	(5,068)	(3,733)	(213)	(2,357)
Due diligence & transaction costs	14	(1,379)	–	(1,379)	–
Total expenses		(80,798)	(67,914)	(62,392)	(55,787)
Change in fair value of investment	22	(2,159)	(2,600)	(2,159)	(2,600)
Profit before income tax expense		17,534	10,582	20,315	11,217
Income tax expense	15	(6,003)	(4,006)	(6,742)	(4,196)
Net Profit for the year		11,531	6,576	13,573	7,021
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain/(Loss) on revaluation of investments		(4)	4	–	–
Other comprehensive income for the year, net of tax		(4)	4	–	–
Total comprehensive income for the year[1]		**11,527**	**6,580**	**13,573**	**7,021**

		Cents	Cents
Basic earnings per share	35	10.61	5.89
Diluted earnings per share	35	10.51	5.84

[1] Comprehensive income includes the results of The Foundation (refer to Note 37)

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

AS AT 30 JUNE 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000	Parent 2024 $'000	Parent 2023 $'000
Assets					
Current assets					
Cash and cash equivalents	16	26,391	27,134	18,179	20,498
Term deposits		10,000	5,600	10,000	5,000
Trade and other receivables	17	3,647	2,475	6,610	5,404
Prepayments		1,626	1,475	1,254	1,080
Right-of-use assets	18	11	30	11	30
Total current assets		41,675	36,714	36,054	32,012
Non-current assets					
Deferred tax	15	4,409	3,974	3,863	3,450
Right-of-use assets	18	2,865	2,284	2,865	2,284
Property, plant and equipment	19	1,469	911	1,469	911
Term deposit		749	749	749	749
Investments in subsidiary	20	–	–	316	316
Related party loan	21	–	–	3,698	240
Financial assets through profit or loss	22	–	2,600	–	2,600
Financial assets through other comprehensive income		67	72	1	1
Total non-current assets		9,559	10,590	12,961	10,551
Total assets		**51,234**	**47,304**	**49,015**	**42,563**
Liabilities					
Current liabilities					
Trade and other payables	23	9,242	9,832	5,446	5,821
Employee benefits	24	7,429	6,258	7,354	6,214
Deferred consideration		–	871	–	871
Tax payable	15	760	605	1,036	605
Lease liabilities	18	590	379	590	379
Total current liabilities		18,021	17,945	14,426	13,890
Non-current liabilities					
Lease liabilities	18	2,180	1,823	2,180	1,823
Employee benefits	24	390	444	390	428
Provisions		492	324	492	324
Deferred tax	15	7	14	7	14
Total non-current liabilities		3,069	2,605	3,069	2,589
Total liabilities		21,090	20,550	17,495	16,479
Net assets		30,144	26,754	31,520	26,084
Equity					
Issued capital	25	10,236	10,515	10,236	10,515
Reserves	26	3,459	2,299	3,457	2,293
Retained profits		16,449	13,940	17,827	13,276
Total equity		**30,144**	**26,754**	**31,520**	**26,084**

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2024

	Issued capital $'000	Share-based payment reserve $'000	FVOCI[1] reserve $'000	Retained profits $'000	Total equity $'000
	Note 25	Note 26	Note 26		
Consolidated					
Balance at 1 July 2022	8,969	2,702	2	12,992	24,665
Profit after income tax expense for the year	–	–	–	6,576	6,576
Other comprehensive income for the year, net of tax	–	–	–	4	4
Total comprehensive income for the year	–	–	–	6,580	6,580
Transactions with owners in their capacity as owners:					
Dividends provided for or paid (Note 27)	–	–	–	(5,628)	(5,628)
Shares vested under deferred shares plan during the year	1,895	(1,895)	–	–	–
Employee deferred shares & rights	–	1,486	–	–	1,486
Employee share plan – shares purchased on-market	(349)	–	–	–	(349)
Revaluation of investments	–	–	4	(4)	–
Balance at 30 June 2023	10,515	2,293	6	13,940	26,754

	Issued capital $'000	Share-based payment reserve $'000	FVOCI[1] reserve $'000	Retained profits $'000	Total equity $'000
	Note 25	Note 26	Note 26		
Consolidated					
Balance at 1 July 2023	10,515	2,293	6	13,940	26,754
Profit after income tax expense for the year	–	–	–	11,531	11,531
Other comprehensive income for the year, net of tax	–	–	–	(4)	(4)
Total comprehensive income for the year	–	–	–	11,527	11,527
Transactions with owners in their capacity as owners:					
Dividends provided for or paid (Note 27)	–	–	–	(9,022)	(9,022)
Shares vested under deferred shares plan during the year	2,388	(2,388)	–	–	–
Employee deferred shares & rights	–	3,552	–	–	3,552
Employee share plan – shares purchased on-market	(2,667)	–	–	–	(2,667)
Revaluation of investments	–	–	(4)	4	–
Balance at 30 June 2024	10,236	3,457	2	16,449	30,144

[1] Fair value through other comprehensive income (FVOCI)

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2024

	Issued capital $'000	Share-based payment reserve $'000	Retained profits $'000	Total equity $'000
	Note 25	Note 26		
Parent				
Balance at 1 July 2022	8,969	2,702	11,883	23,554
Profit after income tax expense for the year	–	–	7,021	7,021
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	7,021	7,021
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (Note 27)	–	–	(5,628)	(5,628)
Shares vested under deferred shares plan during the year	1,895	(1,895)	–	–
Employee deferred shares & rights	–	1,486	–	1,486
Employee share plan – shares purchased on-market	(349)	–	–	(349)
Balance at 30 June 2023	10,515	2,293	13,276	26,084

	Issued capital $'000	Share-based payment reserve $'000	Retained profits $'000	Total equity $'000
	Note 25	Note 26		
Parent				
Balance at 1 July 2023	10,515	2,293	13,276	26,084
Profit after income tax expense for the year	–	–	13,573	13,573
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	13,573	13,573
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (Note 27)	–	–	(9,022)	(9,022)
Shares vested under deferred shares plan during the year	2,388	(2,388)	–	–
Employee deferred shares & rights	–	3,552	–	3,552
Employee share plan – shares purchased on-market	(2,667)	–	–	(2,667)
Balance at 30 June 2024	10,236	3,457	17,827	31,520

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2024

		Consolidated		Parent	
	Note	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash flows from operating activities					
Receipts from customers		98,150	79,668	83,486	68,087
Payments to suppliers and employees		(69,603)	(58,695)	(56,098)	(55,409)
		28,547	20,973	27,388	12,678
Interest received		1,129	728	862	574
Grants to non-profit organisations		(1,660)	(1,607)	(1,099)	(1,509)
Income taxes paid		(5,724)	(4,612)	(6,166)	(1,210)
Net cash from operating activities	34	22,292	15,482	20,985	10,533
Cash flows from investing activities					
Payments relating to integration & transformation costs		(4,242)	(3,233)	(213)	(1,857)
Payments relating to due diligence & transaction costs		(1,079)	–	(1,079)	–
Payments for investment in Sentient Impact Group		(429)	(429)	(429)	(429)
Security deposit		–	(245)	–	(245)
Investment in term deposit		(5,000)	–	(5,000)	–
Funds returned from term deposit		600	–	–	–
Payments for property, plant and equipment	19	(1,023)	(203)	(1,023)	(203)
Return on investment in SVA unit trusts		–	39	–	–
Net cash from investing activities		(11,173)	(4,071)	(7,744)	(2,734)
Cash flows from financing activities					
Purchase of employee's deferred shares		(2,667)	(349)	(2,667)	(349)
Interest on lease liabilities	18	(173)	(88)	(173)	(88)
Dividends paid	27	(9,022)	(5,627)	(9,022)	(5,627)
Loan to subsidiary entity - AES		–	–	(3,698)	(550)
Net cash used in financing activities		(11,862)	(6,064)	(15,560)	(6,614)
Net increase/(decrease) in cash and cash equivalents		(743)	5,347	(2,319)	1,185
Cash and cash equivalents at the beginning of the financial year		27,134	21,787	20,498	19,313
Cash and cash equivalents at the end of the financial year	16	26,391	27,134	18,179	20,498

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

NOTE 1. ABOUT THIS REPORT

The financial report covers the consolidated entity of Australian Ethical Investment Limited, the ultimate parent entity, and its wholly owned subsidiaries (together referred to as the 'Group' and individually as 'Group entities') consisting of Australian Ethical Investment Limited (referred to hereafter as 'Australian Ethical', the 'Company' or 'Parent' entity), Australian Ethical Superannuation Pty Limited ('AES') and Australian Ethical Foundation Limited (the 'Foundation'), and Australian Ethical Investment Limited as an individual parent entity. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Australian Ethical Investment Limited is a listed public company limited by shares (ASX: AEF) and both the parent and wholly owned entities are incorporated and domiciled in Australia.

The Group is a for-profit entity for the purposes of preparing financial statements.

The Group's registered office is at Level 8, 130 Pitt Street, Sydney NSW 2000.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2024. The Directors have the power to amend and reissue the financial statements.

NOTE 2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the accruals basis and are based on historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets at fair value through other comprehensive income, and financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

These financial statements include the results of both the parent entity and the Group in accordance with Australian Securities and Investments Commission Corporations (Parent Entity Financial Statements) Instrument 2021/195.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Ethical Investments Limited ('Company' or 'Parent Entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

NOTE 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new standards did not have an impact on the financial statements.

These include:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other factors, including expectations of future events, management believes to be reasonable under the circumstances.

Income tax & deferred tax assets/liabilities – refer to Note 15

The Group is subject to income taxes in the jurisdictions in which it operates. Estimation is required in determining the provision for income tax. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is yet to be finalised.

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation of useful lives of assets – refer to Note 19

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets based on the available information at balance date. The useful lives could change in future periods as a result of technical innovations, planned use and benefits or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term – Note 18

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision – refer to Note 24

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates have been taken into account.

Share-based payment transactions – refer to Note 36

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. At the date the shares are granted the fair value is determined as the on-market average purchase price if the shares are purchased or a 60-days VWAP price post year end results announcement if the shares are issued. Judgement is used in estimating the probability of performance hurdles being met in determining the value of equity instruments expensed in profit or loss.

Performance rights are measured at fair value at the date at which they are granted, and the likelihood of performance conditions being met.

The accounting estimates and assumptions relating to equity-settled share-based payments have no impact on the carrying amounts of assets and liabilities but will impact profit or loss and equity.

NOTE 4. BUSINESS SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group comprises of one main operating segment being Funds Management.

NOTE 5. REVENUE

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Management fees	75,753	62,465	59,383	50,172
Performance fees	187	–	187	–
Administration fees (net of Operational Risk Financial Reserve contributions)	17,172	12,542	16,537	12,738
Principal investment advisory fee	–	–	7,650	5,876
Member fees (net of rebates)	6,012	5,108	–	–
Interest income	1,367	780	1,109	617
Other income	–	201	–	201
Revenue	100,491	81,096	84,866	69,604

Recognition and measurement

Management, administration and member fees

Fee revenue is earned from provision of funds management services to customers outside the Group. Fee revenue is measured based on the consideration specified in 12 Managed Funds, 1 Exchange Traded Fund, 1 Separate Managed Account and Australian Ethical Retail Superannuation Fund ('AERSF') Product Disclosure Statements ('PDS'). The Group recognises revenue as the services are provided.

The parent entity earns investment management and administration fees from its subsidiary Australian Ethical Superannuation Pty Limited ('AES') in accordance with arms' length service agreements. The parent entity also earns a principal investment advisory fee from AES for the provision of services relating to developing, implementing and maintaining investment strategies including strategic advice and portfolio construction for the AERSF. The Group recognises these revenues as the services are provided.

AES earns member fees from AERSF from the provision of services to members.

The administration fee entitlement earned in accordance with the Product Disclosure Statement ('PDS') is net of $2,297k (2023: $2,934k) paid directly to the Operational Risk Financial Reserve ('ORFR') of AERSF.

Performance fees

Performance fees in relation to the Emerging Companies Fund and High Conviction Fund are dependent on fund outperformance per PDS and are recognised when it is highly probable that performance hurdles have been achieved and a reversal is unlikely.

Interest income

Interest revenue is recognised as interest accrues.

NOTE 6. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Employee remuneration	30,404	24,396	30,141	24,136
Directors' fees	896	826	695	621
Strategic project contractors	255	234	255	234
Other committee member fees	107	154	107	154
Other employment related costs	2,301	1,844	2,273	1,793
	33,963	27,454	33,471	26,938

Other employment related costs include payroll tax ($1.6m), employee training and development, workers compensation insurance and other benefits of employment with Australian Ethical.

Recognition and measurement

Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The fair value of short and long-term equity-settled share-based payment arrangements is recognised as an employee remuneration expense based on the value at grant date, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of awards expected to vest based on the likelihood or probability assessment that the performance conditions are met at the vesting date.

NOTE 7. FUND RELATED

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Administration and custody fees	14,357	11,191	4,190	3,105
Asset managers, ratings and platform fees	1,003	995	996	985
Regulatory & industry body fees	1,493	822	460	267
Ethical research	174	135	174	135
Regulatory projects	501	767	172	215
Strategic projects	98	128	89	128
	17,626	14,038	6,081	4,835

The increase in administration and custody fees is driven by increases in members and FUM following the SFT with Christian Super part-way through prior year, in addition to new organic managed funds and superannuation members.

Regulatory and strategic projects include costs incurred to implement regulatory changes in the superannuation industry and costs associated with the transition to a new custodian following the decision by NAB Asset Servicing to exit the market.

Recognition and measurement

Expenses are recognised at the fair value of the consideration paid or payable for services rendered.

NOTE 8. MARKETING

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Distribution costs	4,540	5,761	4,540	5,761
Brand awareness	2,902	4,295	2,902	4,295
Other	1,671	1,637	1,671	1,637
	9,113	11,694	9,113	11,694

The decrease in distribution costs is due to terminating two employer platform channels. Continued spend on brand remains an important component of driving our brand awareness and growth, however timing of brand campaigns resulted in lower brand spend in FY24 compared to prior year. Other marketing costs include events, sponsorships, marketing & public relations content, media agents' fees and annual & sustainability reports.

NOTE 9. IT EXPENSES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Investment and client-facing systems	2,406	2,067	2,329	1,961
Support systems, infrastructure and security	1,666	1,205	1,649	1,205
Strategic projects	198	264	248	264
	4,270	3,536	4,226	3,430

Investing in technology, systems and security is a strategic focus including continuous improvement in IT controls, cybersecurity testing and the Business Continuity Planning environment.

NOTE 10. EXTERNAL SERVICES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Internal & external audit and tax services	1,117	902	781	712
Consultants	955	1,067	754	862
Legal services	426	355	384	310
Other	645	404	594	398
	3,143	2,728	2,513	2,282

Consultants for the current and prior year comparatives, includes advisory services in relation to strategic projects including product development, investment governance, strategic investment consulting, and review of investment management systems.

NOTE 11. GRANTS TO NON-PROFIT ORGANISATIONS

The Group's constitution states that the Directors before recommending or declaring any dividend to be paid out of the profits of any one year must have first gifted or provisioned for gifting an amount equivalent to 10% of what the profit for that year would have been had bonuses and the amount gifted not been deducted.

NOTE 11. GRANTS TO NON-PROFIT ORGANISATIONS (CONTINUED)

Community grants amounting to $1,821,000 (2023: $1,099,000) have been expensed and gifted from the parent entity to The Foundation. The Foundation has committed to granting all of its current year income (including interest income, less costs) along with $316,000 of retained earnings, amounting to of $2,159,000 (2023: $1,116,000) to non-profit organisations through its gifts program.

NOTE 12. OTHER OPERATING EXPENSES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Insurance	854	767	379	338
Travel	691	476	690	476
ASX listing fees and registry costs	257	229	257	229
Printing and subscriptions	66	169	62	135
Other	231	175	208	175
	2,099	1,816	1,596	1,353

NOTE 13. INTEGRATION & TRANSFORMATION COSTS

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Project Management and Project Team costs	2,623	1,626	183	1,626
Administrator transition costs	2,407	1,172	–	1,172
Marketing and member communications	8	115	–	115
Legal and consulting	3	802	3	802
Other	27	18	27	18
	5,068	3,733	213	3,733

Australian Ethical is transitioning its superannuation administration services to a single service provider. This transformational project aims to deliver a modern technology stack, improving growth flexibility with a more compelling commercial rate-card. The integration and transformation costs include external Administrator costs to facilitate the configuration and transfer of member data alongside project management and team costs.

NOTE 14. DUE DILIGENCE & TRANSACTION COSTS

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Project Management and Project Team costs	691	–	691	–
Legal costs	688	–	688	–
	1,379	–	1,379	–

Due diligence and transaction costs includes costs to acquire Altius Asset Management business and due diligence on pipeline of other inorganic opportunities.

NOTE 15. INCOME TAX

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Income tax expense				
Current tax	6,445	4,662	7,162	4,459
Deferred tax asset – temporary differences	(435)	(636)	(413)	(243)
Deferred tax liability – temporary differences	(7)	(20)	(7)	(20)
Aggregate income tax expense	6,003	4,006	6,742	4,196
Deferred tax included in income tax expense comprises:				
Increase in deferred tax assets	(435)	(636)	(413)	(243)
Decrease in deferred tax liabilities	(7)	(20)	(7)	(20)
Deferred tax – temporary differences	(442)	(656)	(420)	(263)
Numerical reconciliation of income tax expense and tax at the statutory rate				
Profit before income tax expense	17,534	10,582	20,315	11,217
Add: Tax exempt loss attributable to the Foundation	316	–	–	–
Taxable profit before income tax	17,849	10,582	20,315	11,217
Tax at the statutory tax rate of 30% (2023: 30%)	5,355	3,175	6,094	3,365
Tax effect amounts which are not deductible/ (taxable) in calculating taxable income:				
Other non-deductible items	648	831	648	831
Income tax expense	6,003	4,006	6,742	4,196

The effective tax rate for the consolidated group is 34.2% (2023: 37.9%) and for the parent entity is 33.2% (2023: 37.4%).

The higher effective tax rate is due to non-deductible expenses incurred in relation to the write-down of the investment in Sentient which is on capital account and not deductible. Excluding the impact of the change in fair value of the Sentient investment, the effective tax rate is 30.0% for the consolidated group and 30.0% on profit attributable to shareholders.

NOTE 15. INCOME TAX (CONTINUED)

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Deferred tax asset				
Deferred tax asset comprises temporary differences attributable to:				
Employee benefits	1,237	976	1,227	965
Provision for employee leave	1,030	855	1,019	853
Integration costs	379	896	296	566
Accruals	231	207	140	160
Community grants	547	330	547	330
Provision for lease make-good	102	97	102	97
Other payables	709	592	358	458
Lease liabilities	174	21	174	21
Deferred tax asset	4,409	3,974	3,863	3,450
Movements:				
Opening balance	3,974	3,338	3,450	3,207
Charged to profit or loss	435	636	413	243
Closing balance	4,409	3,974	3,863	3,450
Deferred tax liability				
Deferred tax liability comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Property, plant and equipment	7	14	7	14
Deferred tax liability	7	14	7	14
Movements:				
Opening balance	14	34	14	34
Charged to profit or loss	(7)	(20)	(7)	(20)
Closing balance	7	14	7	14
Provision for income tax	760	605	1,036	605
Income tax refund due	–	–	–	–

Recognition and measurement

Tax expense comprises current and deferred tax recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

NOTE 15. INCOME TAX (CONTINUED)

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. These are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. The carry forward values of deferred tax assets and liabilities have been adjusted to reflect applicable future corporate tax rates.

Australian Ethical Investment Limited and its wholly owned subsidiary, Australian Ethical Superannuation Pty Limited, have formed an income tax consolidated Group under the Tax Consolidation System. Australian Ethical Investment Limited is responsible for recognising the current tax assets and liabilities for the tax consolidated Group.

The tax consolidated group has a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax consolidated group.

Under the tax sharing agreement, Australian Ethical Superannuation Pty Limited agrees to pay its share of the income tax payable to Australian Ethical Investment Limited on the same day that Australian Ethical Investment Limited pays the Australian Taxation Office for group tax liabilities.

The tax liability for the subsidiary entities is recognised through intercompany payable or receivable.

NOTE 16. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Cash at bank	26	242	20	229
Deposits at call	26,365	26,892	18,159	20,269
	26,391	27,134	18,179	20,498

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Deposits at call earn interest at a higher rate than cash at bank which are low interest earning transactional accounts.

NOTE 17. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Trade receivables	3,460	2,475	937	624
Receivable from subsidiary	–	–	5,486	4,780
Performance fee receivable	187	–	187	–
	3,647	2,475	6,610	5,404

Recognition and measurement

Trade receivables are initially recognised when they are originated and are measured at the transaction price.

Expected credit losses on trade and other receivables are estimated to be nil as there are currently no past due receivables as at 30 June 2024 (2023: nil) and management have not identified any additional concerns regarding collectability of the receivables as the receivables are predominantly due from related parties.

NOTE 18. LEASES

Leases includes the lease for the Sydney office premises, for printing and copying equipment for the office, and other IT hardware and infrastructure.

The Group entered into a long-term lease for a 5-year term commencing 1 July 2023 for the Sydney office at 130 Pitt Street. The new lease includes the existing space and an additional half floor. The Group does not have an option to purchase the premises at the expiry of the lease period.

A bank guarantee of $749,000 has been provided by the Group to the property owners as a security deposit.

A right-of-use asset and lease liability have been recognised in the Statement of Financial Position.

The Group entered into a new lease for printing and copying equipment in November 2023 for a period of 4 years.

Consolidated & Parent	Office premises $'000	IT hardware & infrastructure $'000	Total $'000
Right-of-use assets			
Balance at 1 July 2022	580	92	672
Additions	2,214	–	2,214
Depreciation	(526)	(46)	(572)
Balance at 30 June 2023	2,268	46	2,314
Comprising of:			
Current	–	30	30
Non-current	2,268	16	2,284
	2,268	46	2,314

Consolidated & Parent	Office premises $'000	IT hardware & infrastructure $'000	Total $'000
Right-of-use assets			
Balance at 1 July 2023	2,268	46	2,314
Additions	1,198	19	1,217
Depreciation	(616)	(39)	(655)
Balance at 30 June 2024	2,850	26	2,876
Comprising of:			
Current	–	11	11
Non-current	2,850	15	2,865
	2,850	26	2,876

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Amounts recognised in statement of cash flows				
Interest on lease liabilities	173	88	173	88
Payments to landlord	557	722	557	722
Total cash outflow for leases	730	810	730	810

NOTE 18. LEASES (CONTINUED)

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. These includes a short-term lease for offices in Melbourne. These are not included in Right-of-use assets or lease liabilities as the terms of these leases are 12 months or under. Lease payments on these assets are expensed to profit or loss as incurred.

Consolidated & Parent	Office building $'000	IT hardware & infrastructure $'000	Total $'000
Lease liabilities			
Balance at 1 July 2022	742	92	834
Additions	2,090	–	2,090
Payments	(763)	(47)	(810)
Interest on lease liabilities	87	1	88
Balance at 30 June 2023	2,156	46	2,202
Comprising of:			
Current	342	37	379
Non-current	1,814	9	1,823
	2,156	46	2,202

Consolidated & Parent	Office building $'000	IT hardware & infrastructure $'000	Total $'000
Lease liabilities			
Balance at 1 July 2023	2,156	46	2,202
Additions	1,279	19	1,298
Payments	(519)	(38)	(557)
Interest on lease liabilities	(172)	(1)	(173)
Balance at 30 June 2024	2,744	26	2,770
Comprising of:			
Current	579	11	590
Non-current	2,165	15	2,180
	2,744	26	2,770

NOTE 18. LEASES (CONTINUED)

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a market review; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 19. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Software development $'000	Total $'000
Balance at 1 July 2022	432	80	889	1,401
Additions	–	138	65	203
Disposals	–	–	–	–
Depreciation expense	(378)	(84)	–	(462)
Amortisation expense	–	–	(231)	(231)
Balance at 30 June 2023	54	134	723	911
Additions	745	188	90	1,023
Disposals	–	(4)	–	(4)
Asset transfer	(27)	27	–	–
Depreciation expense	(110)	(112)	–	(222)
Amortisation expense	–	–	(239)	(239)
Balance at 30 June 2024	662	233	574	1,469

Recognition and measurement

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually to ensure that it is not in excess of the recoverable amount. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTE 19. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The increase in software development costs during the year is due to building the mobile app in line with our growth plans with respect to digital platforms.

Depreciation and amortisation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives. The estimated useful lives for current and comparative periods are as follows:

Leasehold improvements	the lesser of unexpired lease term or useful life, 2-7 years
Plant and equipment	2-7 years
Platform development	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

NOTE 20. NON-CURRENT ASSETS – INVESTMENTS IN SUBSIDIARY

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Investment in Australian Ethical Superannuation Pty Limited (as trustee of the Australian Ethical Retail Superannuation Fund)	–	–	316	316

NOTE 21. NON-CURRENT ASSETS – RELATED PARTY LOAN

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Loan to subsidiary	–	–	3,698	240

The loan was provided to subsidiary AES to support the ongoing costs of the AERSF administrator transition to GROW. The loan is non-interest bearing until completion of the transition, expected to be in the financial year ended 30 June 2025. On completion, the loan becomes interest bearing and due to be repaid over a 5 year period. The parent entity support for AES includes waiving any loan repayment obligations to ensure AES continues as a going concern at all times.

NOTE 22. FINANCIAL ASSETS THROUGH PROFIT OR LOSS

Consolidated	2024 $'000	2023 $'000
Balance as at 1 July – Investment in Sentient Impact Group	2,600	5,200
Fair value write-down	(2,159)	(2,600)
Cancellation of final Instalment payment	(441)	–
Balance as at 30 June	–	(2,600)

NOTE 22. FINANCIAL ASSETS THROUGH PROFIT OR LOSS (CONTINUED)

As a result of Sentient Impact Group Pty Ltd's (Sentient) inability to drive the scale required to achieve its strategy and business plan aspirations, the Sentient Board decided to commence an orderly sale of its assets. Consequently, the final capital call on AE of $441k was no longer required or payable. After this amount of $441k, AE has prudently recorded a fair value write-down of $2.16m in FY24, effectively valuing any further residual liquidation value at zero.

NOTE 23. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Trade payables and accruals	7,400	8,509	3,624	4,722
Grants to non-profit organisations	1,842	1,323	1,822	1,099
	9,242	9,832	5,446	5,821

Refer to Note 28 for further information on financial instruments.

Recognition and measurement

Trade payables and accruals represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of an invoice being rendered.

NOTE 24. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Current				
Annual leave	1,712	1,556	1,694	1,548
Long service leave	1,332	1,294	1,311	1,294
Employee benefits	4,385	3,408	4,349	3,372
	7,429	6,258	7,354	6,214
Non-current				
Long service leave	390	444	390	428

Recognition and measurement

Employee benefit accruals are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Employee Benefits Liabilities including employee short term incentive compensation, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees.

NOTE 25. EQUITY – ISSUED CAPITAL

	Consolidated			
	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares – fully paid	112,782,052	112,782,052	10,236	10,515

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	30 June 2022	112,387,138		8,969
Vesting of deferred shares in the Employee Share Plan (525,972 shares), and deferred STI shares (88,613 shares) to the Investment Team	1 September 2022	–	$2.15	1,322
Vesting of FY20 deferred STI shares (5,193 shares) – CEO	1 September 2022	–	$4.53	24
Vesting of deferred STI shares (24,626 shares) for FY20 Performance fee, and FY21 deferred STI shares (7,459) for the CEO	1 September 2022	–	$9.80	314
Purchase of deferred shares in the Employee Share Plan – on-market	30 September to 6 October 2022	–	$5.26	(349)
Issue of deferred shares to the Employee Share Plan	13 December 2022	394,914	$5.29	–
Vesting of deferred shares in the Employee Share Plan (5,131 shares)	16 December 2022	–	$4.53	23
Vesting of deferred shares in the Employee Share Plan (2,959 shares)	16 December 2022	–	$9.80	29
Vesting of deferred shares in the Employee Share Plan (22,496 shares)	20 February 2023	–	$4.53	102
Vesting of deferred shares in the Employee Share Plan (8,308 shares)	20 February 2023	–	$9.80	81
Balance	1 July 2023	112,782,052		10,515
Vesting of deferred shares in the Employee Share Plan (255,234 shares)	15 September 2023	–	$4.53	1,156
Vesting of deferred STI shares (108,628 shares)	15 September 2023	–	$6.10	663
Vesting of deferred shares in the Employee Share Plan (8,528 shares)	10 November 2023	–	$5.29	45
Purchase of deferred shares in the Employee Share Plan – on-market (568,032)	23 October to 12 December 2023	–	$4.53	(2,571)
Purchase of deferred shares in the Employee Share Plan – on-market (18,261)	22 December 2023	–	$5.27	(96)
Vesting of deferred shares in the Employee Share Plan (2,271 shares)	1 February 2024	–	$7.37	16
Vesting of deferred shares in the Employee Share Plan (7,013 shares)	1 March 2024	–	$5.68	40
Vesting of deferred shares in the Employee Share Plan (72,121 shares)	6 March 2024	–	$6.49	468
Balance	30 June 2024	112,782,052		10,236

NOTE 25. EQUITY – ISSUED CAPITAL (CONTINUED)

The Company measures the value of deferred shares at the price at which the shares are purchased on-market, or a 60-day VWAP post results announcement where shares are issued. The Company recognises share grants as a reduction in Issued Capital.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote, including deferred shares.

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The capital risk management policy remained unchanged during the year.

(i) Regulatory capital requirements

In connection with operating a funds management business in Australia, the Parent entity is required to hold an Australian Financial Services Licence (AFSL). As a holder of an AFSL, the Australian Securities & Investments Commission (ASIC) requires the Company to:

- prepare 12-month cash-flow projections which must be approved at least quarterly by Directors, and reviewed annually by auditors;
- hold at all times minimum Net Tangible Assets (NTA) the greater of:
  (a) $150,000;
  (b) 0.5% of the average value of scheme property (capped at $5m); or
  (c) 10% of the historical 3-year average responsible entity revenue (uncapped).

The minimum NTA is $7.25m as at 30 June 2024.

The Company must hold at least 50% of its minimum NTA required as cash or cash equivalents and hold at least $50,000 in Surplus Liquid Funds (SLF).

The Company has complied with these requirements at all times during the year.

(ii) Dividend policy

Dividends paid to shareholders are typically in the range of 80-100% of the Group's net profit after tax attributable to shareholders. The Board may declare a dividend outside that range with due consideration to retained earnings and business activities. Refer also to Note 11 which discusses the provisioning of staff bonuses and community grants prior to recommending or declaring a dividend under the Group's constitution.

NOTE 26. EQUITY – RESERVES

	Share-based payment reserve $'000	FVOCI reserve $'000	Total $'000
Consolidated			
Balance at 30 June 2022	2,702	4	2,706
Shares vested under deferred share plan during the year	(1,895)	–	(1,895)
Employee deferred shares & rights*	1,486	–	1,486
Revaluation of investments	–	2	2
Balance at 30 June 2023	2,293	6	2,299
Shares vested under deferred share plan during the year	(2,388)	–	(2,388)
Employee deferred shares & rights*	3,552	–	3,552
Revaluation of investments	–	(4)	(4)
Balance at 30 June 2024	3,457	2	3,459

* includes employee share plan and deferred shares and ELTI rights granted to employees

	Share-based payment reserve $'000	FVOCI reserve $'000	Total $'000
Parent			
Balance at 30 June 2022	2,702	–	2,702
Shares vested under deferred share plan during the year	(1,895)	–	(1,895)
Employee deferred shares & rights*	1,486	–	1,486
Balance at 30 June 2023	2,293	–	2,293
Shares vested under deferred share plan during the year	(2,388)	–	(2,388)
Employee deferred shares & rights*	3,552	–	3,552
Balance at 30 June 2024	3,457	–	3,457

* includes employee share plan and deferred shares and ELTI rights granted to employees

Share-based payment reserve

This reserve relates to shares granted by the Group to its employees under its share-based payment arrangements.

Further information about share-based payments to employees is set out in Note 36.

Financial assets at FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity financial instruments in OCI. These changes are accumulated within the FVOCI reserve within Equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

NOTE 27. EQUITY – DIVIDENDS

Dividends

Dividends paid during the financial year were as follows:

	2024 $'000	2023 $'000
Final dividend for the year ended 30 June 2023 of 5.00 cents (2022: 3.00 cents) per ordinary share – fully franked *(Paid 21 September 2023)*	5,639	3,372
Interim dividend for the year ended 30 June 2024 of 3.00 cents (2023: 2.00 cents) per ordinary share – fully franked *(Paid 20 March 2024)*	3,383	2,256
	9,022	5,628

Subsequent to year end the Directors have declared a final dividend of 6.00 cents per fully paid ordinary share (2023: 5.00 cents final dividend). The aggregate amount of the declared dividend expected to be paid on 18 September 2024 out of profits for the year ended 30 June 2024, but not recognised as a liability at year end, is $6,767,000 (2023: $5,639,000). All dividends paid during the year were fully franked based on tax paid at 30.0%. The final dividend to be paid in September 2024 will be fully franked at 30.0%.

Franking credits

Dividends paid during the financial year were as follows:

	2024 $'000	2023 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2023: 30%)	14,502	12,667

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends

Dividends are recognised when declared during the financial year.

NOTE 28. FINANCIAL INSTRUMENTS

Financial risk management objectives and framework

The Group's activities expose it to a variety of financial risks, including market risk arising from Funds under Management (FUM), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not have a material exposure to currency and interest rate risk.

The Group recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Chief Risk Officer is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Audit, Risk & Compliance Committee (ARCC). The Board regularly monitors the overall risk profile of the Group and sets the risk appetite, usually in conjunction with the annual strategy and planning process.

NOTE 28. FINANCIAL INSTRUMENTS (CONTINUED)

The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ARC. One of the main functions of the Committee is to identify emerging risks and determine treatment and monitoring of emerging and current risks. In addition, the Committee is responsible for seeking assurances from management that the systems and policies in place to assist the Group to meet and monitor its risk management responsibilities contain appropriate, up-to-date content and are being maintained. The Group is complying with its licences, and there is a structure, methodology and timetable in place for monitoring material service providers.

The following discussion relates to financial risks the Group is exposed to.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Exposure

The Group's revenue is dependent on FUM which is influenced by equity market movements. Management calculates that a 10% movement in FUM linked to equity markets would change annualised revenue by approximately $7,083,000 (2023: $6,924,000).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is predominantly exposed to credit risk on its deposits with banks and financial institutions. The Group manages this risk by holding cash and cash equivalents at financial institutions with S&P's rating of 'A' or higher. The maximum exposure of the Group to credit risk on financial assets which have been recognised on the Consolidated Statements of Financial Position is the carrying amount of cash and cash equivalents, and trade receivables. For all financial instruments other than those measured at fair value their carrying value approximates fair value.

All trade and other receivables are short term in nature and are not past due or impaired.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 6 months.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents).

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a twelve-month rolling forecast of liquid assets and cash flows, and profit & loss statements are reviewed by the Board quarterly to ensure there is sufficient liquidity within the Group.

Remaining contractual maturities

The Group's and Company's remaining contractual maturity for its financial instrument liabilities. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 29. FAIR VALUE MEASUREMENT

Recognition and measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

The following tables detail the group's assets measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Relate to the Company's nominal holdings of shares in listed entities held for advocacy purposes.
Level 2:	Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, referenced to the current fair value of a substantially similar other instrument or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.	Relate to the Foundation's investment in the Social Ventures Australia (SVA) Diversified Impact Fund (DIF) unlisted unit trusts.
Level 3:	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).	Relate to the Company's investment in Sentient Impact Group.

There were no transfers between levels during the financial year.

NOTE 29. FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated – 2023				
Financial assets measured at fair value				
Investments	1	71	2,600	2,672
Total assets	1	71	2,600	2,672
Consolidated – 2024				
Financial assets measured at fair value				
Investments	1	66	–	67
Total assets	1	66	–	67

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Parent – 2023				
Financial assets measured at fair value				
Investments	1	–	2,600	2,601
Total assets	1	–	2,600	2,601
Parent – 2024				
Financial assets measured at fair value				
Investments	1	–	–	1
Total assets	1	–	–	1

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated		Parent	
	2024	2023	2024	2023
Short-term employee benefits	4,668,202	4,294,110	4,487,077	4,108,700
Post-employment benefits	280,575	299,697	260,651	280,229
Long-term benefits	75,839	72,621	75,839	72,621
Share-based payments	1,121,423	563,980	1,121,423	563,980
	6,146,039	5,230,408	5,944,990	5,025,530

Information regarding key management personnel's remuneration and shares held in Australian Ethical Investment Limited is provided in the Remuneration Report.

NOTE 31. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company, and its network firms:

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Audit services – KPMG				
Audit and review of financial statements – Group	119,639	136,917	95,608	114,562
Audit and review of financial statements – managed funds for which the Company acts as Responsible Entity*	278,796	216,439	278,796	216,439
Audit and review of financial statements – superannuation fund for which the subsidiary entity acts as Responsible Superannuation Entity*	50,554	47,027	–	–
	448,989	400,383	374,404	331,001
Assurance services – KPMG				
Regulatory assurance services – Group	65,955	52,771	61,058	48,216
Regulatory assurance services – managed funds and superannuation fund*	80,028	74,444	–	–
Assurance services in relation to CPS 234 Tripartite	–	94,583	–	94,583
ATO Assurance review consulting services	–	66,625	–	66,625
SFT assurance procedures	–	30,000	–	30,000
Assurance services in relation to the Sustainability Report	86,652	20,500	86,652	20,500
	232,635	338,923	147,710	259,924
Other services – KPMG				
Tax compliance and advisory services	150,854	104,909	117,655	83,538
	150,854	104,909	117,655	83,538
Total remuneration of KPMG	832,478	844,215	639,769	674,463

* These fees are incurred by the Company and are effectively recovered from the funds via administration or management fees. The addition of new funds and audit work relating to the expanded asset base following the SFT have contributed to the increase in audit fees.

The Board considered the other non-audit / assurance services provided by the auditor and is satisfied that the provision of the non-audit services is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

NOTE 32. COMMITMENTS

As at 30 June 2024, the Group did not enter into any capital commitments other than as disclosed in Note 18.

NOTE 33. RELATED PARTY TRANSACTIONS

Parent entity

Australian Ethical Investments Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in the Consolidated Entity Disclosure Statement (CEDS).

KMP remuneration

Disclosures relating to key management personnel are set out in Note 30 and the remuneration report included in the Directors' report.

Other related parties

Australian Ethical Superannuation Pty Limited (AES) acts as trustee for Australian Ethical Retail Superannuation Fund (AERSF).

Australian Ethical Investment Limited (AEI) acts as the responsible entity for the following Australian Ethical Trusts (AETs):

- Australian Ethical Australian Shares Fund
- Australian Ethical Diversified Shares Fund
- Australian Ethical Balanced Fund
- Australian Ethical Income Fund
- Australian Ethical Fixed Interest Fund
- Australian Ethical International Shares Fund
- Australian Ethical High Growth Fund
- Australian Ethical Emerging Companies Fund
- Australian Ethical High Conviction Fund (unlisted and listed)
- Australian Ethical Alternatives Fund (unregistered)
- Australian Ethical Defensive Alternatives Fund (unregistered)
- Australian Ethical Unlisted Property Fund (unregistered)
- Australian Ethical Global Credit Fund (unregistered)
- Australian Ethical Moderate Fund
- Australian Ethical Infrastructure Debt Fund
- Australian Ethical Multi Manager International Shares Fund
- Australian Ethical Conservative Fund

The Funds listed above are considered structured entities that have not been consolidated by the Group, as the Group does not have control over these entities. The table below sets out the transactions that occurred during the year between the Group and these entities.

Australian Ethical Employee Share Trusts (EST) acts as trustee for the employee deferred share plan. Pacific Custodian Pty Limited acts as trustee to the trust.

NOTE 33. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Receipts from Australian Ethical Superannuation Pty Limited:				
Receipts from Australian Ethical Superannuation Pty Limited:				
Administration fees	–	–	16,536	12,738
Investment management fees	–	–	38,395	30,339
Principal investment advisory fee	–	–	7,650	5,876
Transactions between the parent and subsidiary entities under tax consolidation and related tax sharing agreement	–	–	5,105	3,529
Receipts from the Australian Ethical Trusts:				
Provision of investment management services to the AETs in accordance with the PDS	20,966	19,676	20,966	19,676
Performance fee	187	–	187	–
Receipts from Australian Ethical Retail Superannuation Fund:				
Provision of investment management / administration services to AERSF in accordance with the PDS	71,936	55,173	–	–
Provision of member administration services to AERSF in accordance with the PDS	6,012	5,108	–	–
Provision of transition services as part of the Christian Super integration	–	194	–	194
Payments to Australian Ethical Foundation Limited:				
Grants paid to non-profit organisations	–	–	1,822	1,099

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Current receivables:				
Amounts receivable from the AETs	640	556	640	556
Amounts receivable from the AETs – performance fee	187	–	187	–
Amounts receivable from AES – trade payables and tax provision	–	–	5,475	4,780
Amounts receivable from AES – loan	–	–	3,698	240
Amounts receivable from The Foundation – trade payables	–	–	11	–
Amounts receivable from AERSF	2,201	1,841	–	–
Current payables:				
Amounts payable to AES	–	–	–	–
Amounts payable to The Foundation	–	–	(1,822)	(1,099)

NOTE 34. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Profit after income tax expense for the year	11,531	6,576	13,573	7,021
Adjustments for:				
Depreciation and amortisation	1,120	1,265	1,120	1,265
Non-cash employee benefits expense - deferred shares	3,070	2,194	3,068	2,194
Change in fair value of investment	2,159	2,600	2,159	2,600
Integration & transformation costs	4,242	3,733	213	2,357
Due diligence & transaction costs	1,079	–	1,079	–
Change in operating assets and liabilities:				
(Increase) in trade and other receivables	(1,172)	(738)	(966)	(960)
(Increase) in lease assets	(562)	(1,642)	(562)	(1,642)
(Increase)/Decrease in other current assets	(151)	118	(151)	480
(Increase) in deferred tax assets	(435)	(636)	(435)	(243)
(Increase) in other non-current assets	–	(245)	–	(245)
Increase/(Decrease) in trade and other payables	(590)	1,264	(375)	(3,269)
Increase in employee benefits	1,117	422	1,102	404
Increase/(Decrease) in lease liability	568	(79)	568	(79)
Increase in other provisions	168	65	168	65
Increase in current tax liability	155	605	431	605
(Decrease) in deferred tax liability	(7)	(20)	(7)	(20)
Net cash from operating activities	22,292	15,482	20,985	10,533

NOTE 35. EARNINGS PER SHARE

Consolidated	**2024 $'000**	**2023 $'000**
Profit after income tax attributable to the owners of Australian Ethical Investment Limited and its Controlled Entities	11,531	6,576

	Cents	**Cents**
Basic earnings per share	10.61	5.89
Diluted earnings per share	10.51	5.84

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	111,634,688	111,552,062
Adjustments for calculation of diluted earnings per share:		
Deferred shares	1,043,689	1,127,974
Weighted average number of ordinary shares used in calculating diluted earnings per share	112,678,377	112,680,036

NOTE 35. EARNINGS PER SHARE (CONTINUED)

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Ethical Investment Limited and its Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration, which relate to deferred shares issued as part of the Company's long term employee benefits.

NOTE 36. SHARE-BASED PAYMENTS

Share-based payments include shares issued to employees under the employee share plan (ESP), deferred short-term incentives, and rights granted under the Executive long-term incentives plan (ELTI).

As at 30 June 2024, the Employee Share Trust holds 1,251,039 shares (30 June 2023: 1,118,541 shares) on behalf of employees until vesting conditions are met.

In the current year, $2,667,000 was paid to purchase deferred shares on-market to be granted under the Deferred ESP and STI plans. In the prior year, $349,000 was paid to purchase all deferred shares on-market. The Board has discretion to decide whether to issue new shares or purchase shares.

The below table provides a reconciliation of the number of deferred shares in the Employee Share Trust.

2023						
Grant date	Vesting date	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
01/09/2019	31/08/2022	614,585	–	(614,585)	–	–
01/09/2020	31/08/2022	5,193	–	(5,193)	–	–
01/09/2020	31/08/2023	387,011	–	(27,623)	(34,450)	324,938
01/09/2021	31/08/2022	32,088	–	(32,088)	–	-
01/09/2021	31/08/2023	32,086	–	–	–	32,086
01/09/2021	31/08/2024	238,822	–	(11,267)	(20,416)	207,139
01/09/2022	31/08/2023	–	41,351	–	–	41,351
01/09/2022	31/08/2024	–	29,300	–	–	29,300
01/09/2022	31/08/2025	–	445,061	–	(17,640)	427,421
		1,309,785	515,712	(690,756)	(72,506)	1,062,235
Unallocated treasury shares						56,306
Total deferred shares in the Employee Share Trust at 30 June 2023						1,118,541

NOTE 36. SHARE-BASED PAYMENTS (CONTINUED)

2024						
Grant date	**Vesting date**	**Balance at the start of the year**	**Granted**	**Vested**	**Forfeited**	**Balance at the end of the year**
01/09/2020	31/08/2023	324,938	–	(324,938)	–	–
01/09/2021	31/08/2023	32,086	–	(32,086)	–	–
01/09/2021	31/08/2024	41,351	–	(41,351)	–	–
01/09/2022	31/08/2024	207,139	–	(20,612)	(20,997)	165,530
01/09/2022	31/08/2024	29,300	–	(1,122)	–	28,178
01/09/2022	31/08/2025	427,421	–	(29,893)	(52,467)	345,061
01/09/2023	31/08/2026	–	479,259	(11,011)	(34,220)	434,028
01/09/2023	31/08/2025	–	206,925	–	–	206,925
		1,062,235	686,184	(461,013)	(107,684)	1,179,722
Unallocated treasury shares						71,317
Total deferred shares in the Employee Share Trust at 30 June 2024						1,251,039

Recognition and measurement

Equity-settled transactions are awards of shares that are provided to employees in exchange for the rendering of services.

The grant-date fair value of equity-settled transactions are recognised as an employee expense over the vesting period with a corresponding increase in Share based payment reserve. Upon vesting, the employees become unconditionally entitled to the awards and the shares are transferred from the Share based payment reserve to Contributed equity.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related performance and service conditions are expected to be met at the vesting date.

The following share-based payment arrangements existed as at 30 June 2024.

Deferred Shares - ESP

Under the Group's long-term incentive employee share plan (ESP), participants are granted shares annually based on a fixed percentage of their fixed remuneration. The number of shares that the participant receives is determined at the time of grant with the shares being held in trust. These shares are issued for nil consideration with the shares having voting rights and employees receive dividends over the vesting period. The deferred shares are subject to 3-year vesting periods after which time, the shares vest to the employee as ordinary shares. Vesting is subject to meeting specified performance criteria over the performance period, service hurdles and Board approval.

Included under employee benefits expense in the Consolidated Statement of Comprehensive Income is $1,432,000 (2023: $1,308,000) relating to the deferred shares granted under the long-term employee share plan.

Deferred Shares – STI

For certain employees a portion of their short-term incentive (STI) is also paid in deferred shares which vest subject to meeting service conditions. Depending on the grant, deferred STI shares have a 3-year vesting period and no further performance hurdles. All share vesting is subject to Board approval.

Included under employee benefits expense in the Consolidated Statement of Comprehensive Income is $1,008,000 (2023: $1,010,000) relating to the deferred portion of the short-term incentive plan.

NOTE 36. SHARE-BASED PAYMENTS (CONTINUED)

Executive Long-Term Incentives (ELTI)

The ELTI was introduced to retain key senior executives and provide reward for future outstanding performance to the period ending 30 June 2025, 2026, and 2027.

The FY27 tranche comprises 347,756 hurdled performance share rights issued, which were issued on 1 December 2023. The ELTI expense is based on the grant date of 1 December 2023. Each share right was fair valued at $4.49, being the share price on 1 December 2023 discounted for forecast dividend yield. These share rights will be equity settled at the end of the vesting period.

The performance hurdles require the following performance conditions to be achieved:

- Net flows, including no more than 50% from M&A activity, over the 4-year vesting period of $6.05bn
- Cost to income ratio of no more than 75%
- Median NPS (Net Promoter Score) for Financial Services companies in Australia
- Median employee engagement score for financial services companies in Australia; and
- Continued alignment with our Ethical Charter.

During the vesting period, employees are not entitled to receive dividends nor hold voting rights. Vesting is subject to meeting specified performance criteria over the performance period, service hurdles and Board approval.

Included under employee benefits expense in the Condensed Statement of Profit or Loss and Other Comprehensive Income is $636,000 (2023: $125,000 credit expense) for the executive long-term incentive plans. This amount is allocated as follows, $261,000 relating to FY26 tranche and $375,000 relating to FY27.

Additional details are available in the Remuneration Report on these employee incentive plans.

NOTE 37. RESULTS OF THE FOUNDATION

All income received and net assets including cash of The Foundation are restricted to The Foundation's activities and are not available for distribution to AEI's shareholders or to settle liabilities of other Group entities.

As at and for the year ended 30 June 2024, the impact of The Foundation before intercompany eliminations is noted below:

	2024 $'000	2023 $'000
Statement of comprehensive income		
Revenue from parent entity	1,822	1,099
Interest income	34	28
Grants to non-profit organisations	(2,159)	(1,116)
Audit fees and other operating expenses	(13)	(11)
Loss for the year	(316)	–
Other comprehensive income		
Fair value adjustment of investment	(4)	(4)
Total comprehensive income for the year	(320)	(4)

	2024 $'000	2023 $'000
Statement of financial position		
Assets:		
Cash and cash equivalents	98	597
Receivables from parent entity	1,822	1,099
Other receivables	–	8
Financial assets at fair value through profit or loss	66	71
Liabilities:		
Grants to non-profit organisations	(1,842)	(1,323)
Trade payables	(24)	(12)
Net assets	120	440
Equity:		
Retained earnings	118	434
FVOCI reserve	2	6
Total Equity	120	440

NOTE 38. CONTINGENT LIABILITIES

As of the 30 June 2024 there are no contingent liabilities (2023: Nil)

NOTE 39. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in Note 27, no other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

The Altius Asset Management business acquisition was subject to the satisfaction of a number of conditions precedent. The transaction completion is expected by the end of September 2024.

Consolidated entity disclosure statement

For the year ended 30 June 2024

Set out below is relevant information relating to the entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the Corporations Act 2001 (s.295(3A)(a)).

Entity name	Body corporate, partnership or trust	Place incorporated / formed	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident	Jurisdiction for Foreign tax resident
Australian Ethical Investment Limited (the Company)	Body Corporate	Australia	–	Australian	–
Australian Ethical Superannuation Pty Limited (AES)	Private Company – Trustee of the Australian Ethical Retail Superannuation Fund (AERSF)	Australia	100%	Australian	–
Australian Ethical Foundation Limited (AEF)*	Body Corporate	Australia	0%	Australian	–
Christian Super Pty Limited	Private Company	Australia	100%	Australian	–
August Investment Pty Limited	Private Company	Australia	100%	Australian	–

* The Foundation share capital is held in trust for charitable organisations.

Key assumptions and judgements

Determination of Tax Residency

Section 295 (3A) of the *Corporation Acts 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, “Australian resident” has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has adopted the following interpretations:

- **Australian tax residency**

  The consolidated entity has applied current legislation and judicial precedent, including having regards to the Commissioner of Taxation’s public guidance in Tax Ruling TR 2018/5.

- **Foreign tax residency**

  The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Australian Ethical do not have any foreign operations or tax residencies.

The Company and consolidated group do not operate any Partnerships, Trusts or Branches (permanent establishments).

Directors' declaration

1. In the opinion of the directors of Australian Ethical Investment Limited (the 'Company'):

   a. the consolidated financial statements and notes that are set out on pages 61 to 96 and the Remuneration Report on pages 28 to 59 in the Directors' Report, are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Group's Financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and

      ii. complying with the Australian Accounting Standards and the Corporations Regulations 2001.

   b. the consolidated entity disclosure statement as at 30 June 2024 set out on page 97 is true and correct; and

   c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in the Note 1 will be able to meet any obligations or liabilities to which they are or become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 for the chief executive officer and the chief financial officer for the year ended 30 June 2024.

4. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.

Signed in accordance with a resolution of Directors:

On behalf of the Directors

JOHN MCMURDO

Managing Director and Chief Executive Officer
Sydney
28 August 2024

Independent Auditor's Report

To the shareholders of Australian Ethical Investment Limited

Report on the audit of the Financial Reports

Opinions

We have audited the ***Financial Report*** of Australian Ethical Investment Limited (the Group Financial Report). We have also audited the Financial Report of Australian Ethical Investment Limited (the Company Financial Report).

In our opinion, the accompanying Group Financial Report and Company Financial Report give a true and fair view of the ***Group's and Company's*** financial position as at 30 June 2024 and of their financial performance for the year then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Reports*** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2024;
- Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Australian Ethical Investment Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Report* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audits of the Financial Reports of the current period.

This matter was addressed in the context of our audits of the Financial Reports as a whole, and in forming our opinions thereon, and we do not provide a separate opinions on this matter.

Management fees – ($75.8m) and Administration fees ($17.2m) – Group; and Management Fees ($59.4m), Administration fees ($16.5m) and Principal investment advisory fee ($7.7m) - Company

Refer to Note 5 to the Group Financial Report and Company Financial Report

The key audit matter	How the matter was addressed in our audit
Management, Administration and Principal investment advisory fees were a key audit matter due to the: • individual fee arrangements in place for each of the managed funds and the Australian Ethical Retail Superannuation Fund (the superannuation fund) which necessitated considerable audit effort; and • significance of the fees to the Group and Company, constituting 92% and 98% of total revenue, respectively. Funds under management ("FUM") used in the calculation of fees is dependent on information sourced from a third party service organisation which is both the custodian and the administrator. This required us to understand and assess the key processes and controls in determining the FUM, including that of the third party service organisation.	Our procedures included: For Group and Company: • We assessed the appropriateness of the Group and Company's accounting policies against the requirements of Australian Accounting Standards and our understanding of the business and industry practice. • We read and understood the individual Management and Administration fee arrangements in the Product Disclosure Statements ("PDS") of each of the managed funds and the superannuation fund. • We performed a recalculation of Management and Administration fees charged using the fee percentages and FUM, obtained from each of the PDS and underlying fund financial records respectively as the basis for revenue recognition in accordance with the Group and Company's accounting policy. • We compared the independently calculated Management and Administration fee revenue to those of the Group and Company and investigated significant differences. • We assessed funds under management ("FUM") by: - testing key controls over the input of valuation data into the Group and Company's fund management system such as daily price movement checks performed by management; - reconciling daily FUM sent by the custodian to the FUM used by the Group and Company in the calculation of revenue; - obtaining and reading the custodian service organisation's *Guidance Statement 007 Audit*

	Implications of the Use of Service Organisations for Investment Management Services assurance report to understand the processes and assess the controls relevant to the determination of the FUM; - checking the quantity of assets held to external custodian service provider reports at balance date; and - using valuation specialists, testing the fair value of a sample of investments held by underlying funds by comparing the value to market data such as global and domestic equity prices. • We assessed the disclosures in the Financial Reports using our understanding obtained from our testing and against the requirements of the accounting standards. For Company: • We read and understood the Management and Administration fee arrangements in the Investment Management and Trustee Service Agreements and the Principal Investment Advisory Agreement (collectively referred to as Agreements) between the Company and its subsidiary, Australian Ethical Superannuation Pty Limited (AES); and • We performed a recalculation of the Management, Administration and the Principal Investment Advisory fees between the Company and AES, using the fee percentages obtained from the Agreements and FUM as a basis for revenue recognition in accordance with the Company's accounting policy. • We compared the independently calculated fee revenue to the fee revenue recorded by the Company and investigated significant differences.

Other Information

Other Information is financial and non-financial information in Australian Ethical Investment Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. The Message from the CEO, Message from the Chair, Financial year highlights, CIO's Report, Investment performance and Shareholder information of the Annual report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Reports does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and Company, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001;*
- implementing necessary internal control to enable the preparation of a Financial Reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and Company, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Ethical Investment Limited for the year ended 30 June 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 28 to 59 in the Financial Report for the year ended 30 June 2024.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

J Davis

Jessica Davis

Partner

Sydney

28 August 2024