

**Australian
Ethical**



AUSTRALIAN ETHICAL SUPER

Annual Report 2024

30 JUNE 2024

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Important

This Annual Report has been prepared by Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, RSE L0001441 AFSL 526 055) (Trustee) which is the trustee of the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743, USI AET0100AU) (Fund). Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) (Australian Ethical) offers to arrange for the issue of interests in the Fund, pursuant to an arrangement between Australian Ethical and the Trustee. The Trustee issues interests in the Fund in accordance with such offers, where the offer is accepted.

The information in this Annual Report is up-to-date at the time of preparation. However, information in this Annual Report is subject to change from time to time. Updated information can be obtained by contacting your financial adviser, going to our website or calling us on 1800 021 227. You may request a paper copy of this Annual Report and any updated information at any time, free of charge.

Information in this Annual Report is general information only and does not take into account your personal financial situation or needs. You should consider obtaining financial advice that is tailored to suit your personal circumstances.

You may wish to consult an adviser before making a decision.

The information may represent our interpretation of the law in some instances and should not be relied upon as legal advice.

Please note that the value of investments can go up and down. Past performance is not a reliable indicator of future performance. Product ratings are only one factor to be considered when making a decision.

Before making a decision you should read the Product Disclosure Statement and Target Market Determination on our website australianethical.com.au and consider any relevant risks.

Neither the Trustee nor its advisers accept responsibility for any error or misprint, nor for anyone acting on this information.

Contact us

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Join online	australianethical.com.au/join-now

Overview

After a year of significant growth in FY23 following the successor fund transfer (SFT) of Christian Super members into the Fund, FY24 has been a year of change.

We have continued the work to build a scalable, flexible and professional platform to support future growth of the Fund and we have made good progress on our transformational programs, including the consolidation to a single super administrator (GROW Inc) and the move to a new custodian.

These two projects, due to be completed 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.

Since insourcing the customer servicing functions for our 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 members 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 member 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 recently won Sustainable Fund of the Year at the Super Review Super Fund of the Year Awards 2025. 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 Morgan¹, 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.

FUM and membership growth

We are pleased to report positive Funds Under Management (FUM) growth over the year, ending FY24 with \$8.25 billion in FUM, nearly 14% growth over the year, driven by positive net flows of \$602 million from record amounts of superannuation guarantee (SG) and voluntary contributions. In addition, member growth drove new rollovers in, and, as at 30 June 2024 there were over 122,000 members of the Fund, which equates to growth of almost 6% for the year.

Over the past 5 years our FUM has almost tripled, and the number of fund members increased by nearly 200%. Organic growth represents the majority of new members, however the Christian Super SFT in FY23 added 28,000 members to the Fund. In 2024 we were again reported in the top five fastest growing super funds².

Investment performance

Our Australian Shares investment option is ranked 1st out of 42 funds rated over 10 years, with a return of 10.36% pa to 30 June 2024 in the SuperRatings SR50 Australian Shares Index, and this option has outperformed the median of the survey over the 5 and 7 year periods to 30 June 2024.

In addition, the majority of the Funds investment options have outperformed their objectives for the year to 30 June 2024, and all options measured under APRA's Your Future, Your Super Performance Test passed the Test.

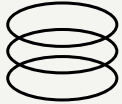
Fees

As always, we remain committed to making ethical super as accessible and competitive as possible, which includes reviewing the fees charged to members on an annual basis and making fee reductions when we can pass on the benefits of our growing scale to our members.

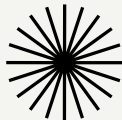
1 roymorgan.com/findings/2023-most-trusted-finance-and-insurance-brands

2 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))

Highlights of the year 2024



Record **\$8.25 billion** funds under management – just under 14% year on year growth



Positive super net flows¹ **\$602 million**

122,013 members,
just under **6%** year on year growth

Accolades

Roy Morgan 2023 Customer Satisfaction Awards – Retail Superannuation Fund of the Year

Roy Morgan Top 3 Most Trusted Super Brand³

Best Retail Super Fund 2023 – ProductReview.com.au Awards

SuperRatings Gold 2024 – for MySuper, Choice and Pension⁴

RIAA Responsible Investment Leader since 2021

Sustainable Fund of the Year 2025 - Super Review Fund of the Year Awards

³ 2023 Roy Morgan Trusted Brand Awards Report

⁴ The rating is issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311990 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses proprietary criteria to determine awards and ratings and may receive a fee for the use of its ratings and awards.

Investment overview

In the financial year ending 30 June 2024, global share markets continued their impressive rally, particularly led by the tech giants dubbed the "Magnificent 7": Meta, NVIDIA, Amazon, Apple, Alphabet, Microsoft, and Tesla. These companies delivered significant returns, propelling markets to record highs. The S&P 500, reflecting the performance of the largest US companies, reached its highest level in history by the end of June.

Australian markets also experienced a strong year, with local giants in banking and software seeing considerable price increases. However, rising stock prices have led to concerns about overvaluation in both US and Australian markets.

In response, we adopted a cautious approach, reducing positions in companies that had strong runs and reallocating funds into defensive assets. While this strategy may not position us at the top of short-term performance rankings, we believe it is a prudent move to safeguard members' retirement savings against potential market downturns.

Our objective remains to provide our superannuation investors with returns that outpace inflation over the long term, which we continue to achieve. Over the 10 years to June 2024, the Australian Ethical Balanced investment option has exceeded its performance objective, delivering a return of 6.8% per annum. Meanwhile, our higher-risk High Growth option returned 7.5% per annum over the same period, reflecting our commitment to long-term, sustainable growth for our members.



Investment philosophy

Our inhouse Ethics Research team assess possible investments according to the 23 principles of our Ethical Charter, using our ethical evaluation process and applying a mix of rules and judgement to bring these to life. This process identifies companies we believe can influence progress towards a better future for people, animals and the environment, and restricts investment in those that we believe are a threat to that progress. This research defines our universe of potential ethical investments.

Our investment team then constructs portfolios suitable for the investment strategies and objectives of the investment options of Australian Ethical Super. We don't just set and forget. Monitoring our investee companies and engaging to influence companies, governments and others is an important part of our process.



Investment strategy

We invest in a range of assets across various asset classes including:

- Australian & New Zealand Shares
- International Shares
- Alternatives
- Interest Bearing Investments; and
- Cash and Enhanced Cash.

The Trustee remains the responsible entity for all money held and invested on behalf of the members of the Fund and determines the investment strategy for the Fund. The current strategy for the whole of Fund is:

- The Australian Shares, Growth, International Shares, and High Growth investment options all offer suitable risk/reward profiles for members with a longer-term investment timeframe and those comfortable with a higher level of risk. The Balances (accumulation) investment option also offers a suitable, well diversified option for a relatively long-term investment.
- For those members with a shorter-term investment timeframe or who seek a more conservative risk/return profile, the Conservative investment option (suitable for both before and after retirement) as well as the Balanced Pension investment option (which is more conservative than its accumulation counterpart), may be appropriate.

- The Defensive investment option is designed to minimize volatility in a member's retirement income stream and/or returns. It is most suitable for members who have no tolerance for risk, such as those who are well advanced in their retirement or who simply want exposure to a low-risk option because they may have other investment or superannuation assets outside the Fund. It is also suitable for deceased estates.

The objectives and asset allocation for each of the Fund's investment options as at 30 June 2024 is given in the next section. The objective is not a guarantee of a particular return or benefit but is used by the Trustee to measure the investment option's performance. Asset allocations may vary from time to time for various reasons.

You should consider the likely investment returns, risk and your investment timeframe when choosing an investment option. You can find more information within the Product Disclosure Statement or relevant Target Market Determination found at www.australianethical.com.au/super/pds-forms.



Super investment options

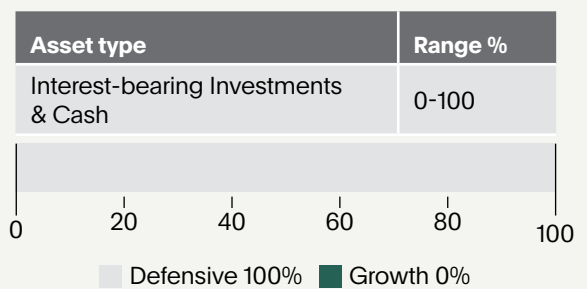
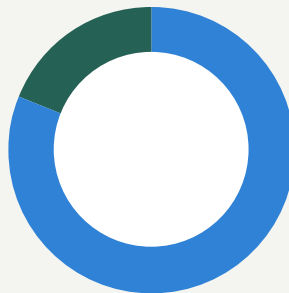
Asset allocations (%) to 30 June 2024

Super (accumulation)

The information below outlines the investment objectives, minimum investment timeframes, risk levels, and asset allocations of each of the investment options as at 30 June 2024. As of 1 October 2024, we updated and reissued the PDS for our Superannuation and Pension product; please refer to the PDS and Super Additional Information Booklet at www.australianethical.com.au/super/pds-forms/ for more information.

Defensive option

- Interest Bearing General 81.31%
- Cash 18.69%



Investment objective

To provide members with a portfolio focused on preservation of capital through low risk income generating investments.

Investors that the option may suit

Members wanting a low risk of capital loss and low volatility with a short investment timeframe.

Recommended minimum investment timeframe

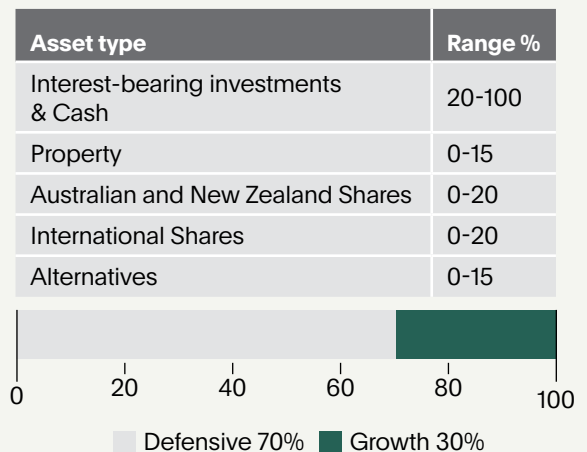
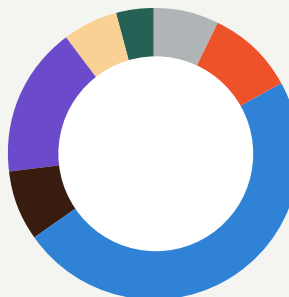
1 year

Risk Level[^]

Very low

Conservative option

- Australian and New Zealand Shares 7.43%
- International Shares 9.73%
- Interest Bearing General 48.17%
- Alternatives 8%
- International Interest Bearing General 16.52%
- Property 6.03%
- Cash 4.12%



Investment objective

To provide members with returns only moderately above inflation over a medium time horizon with low to medium levels of investment risk.

Investors that the option may suit

Members closer to, or in retirement, who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

Recommended minimum investment timeframe

3 years

Risk Level[^]

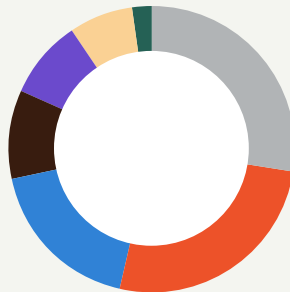
Low to medium

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

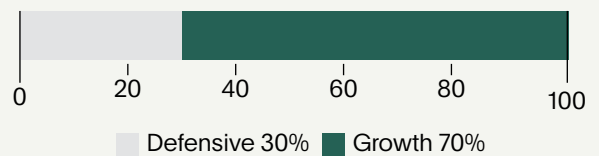
Super (accumulation)

Balanced (accumulation) option

- Australian and New Zealand Shares 27.60%
- International Shares 26.19%
- Interest Bearing General 18.02%
- Alternatives 10.01%
- International Interest Bearing General 8.78%
- Property 7.23%
- Cash 2.17%



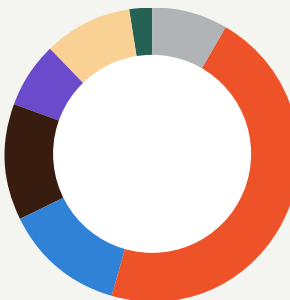
Asset type	Range %
Interest-bearing investments & Cash	10-50
Property	0-20
Australian and New Zealand Shares^	10-50
International Shares	5-40
Alternatives	0-20



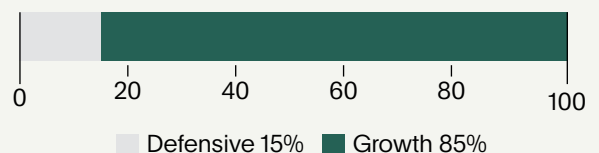
Investment objective	To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk. It aims to achieve returns of 3.5% p.a. above inflation over the medium to longer terms.
Investors that the option may suit	Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years.
Recommended minimum investment timeframe	5 years
Risk Level^	Medium to high

Growth option

- Australian and New Zealand Shares 32.99%
- International Shares 33.81%
- Interest Bearing General 9.67%
- Alternatives 9.50%
- International Interest Bearing General 5.15%
- Property 7.21%
- Cash 1.67%



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares^	15-55
International Shares	10-50
Alternatives	0-20

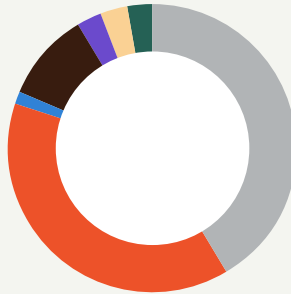


Investment objective	To provide long term growth accompanied by high levels of risk through holding mostly growth assets.
Investors that the option may suit	Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short-term market fluctuations.
Recommended minimum investment timeframe	6 years
Risk Level^	High

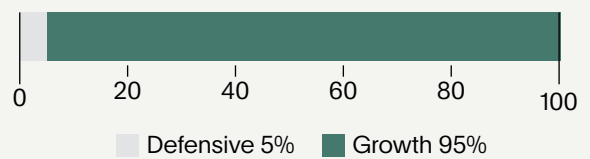
^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Super (accumulation)

High Growth



Asset type	Range %
Interest-bearing Investments & Cash	0-10
Australian and New Zealand Shares^	40-60
International Shares	20-60
Property	0-20
Alternatives	0-20



Investment objective

To provide long term growth accompanied by high levels of risk through holding growth assets. It aims to achieve returns of 4.5% p.a. above inflation (after investment fees and indirect costs) over the long term.

Investors that the option may suit

Members seeking capital growth through long term investments who have a higher tolerance for risk.

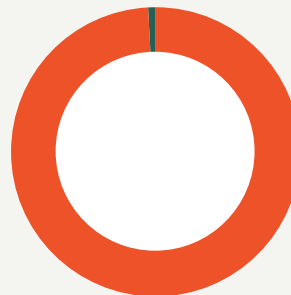
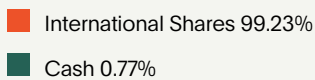
Recommended minimum investment timeframe

10 years

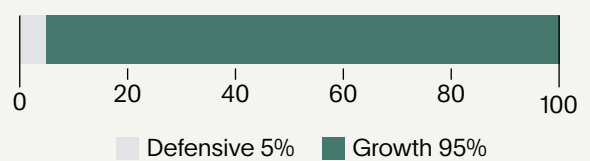
Risk Level^

High

International shares option



Asset type	Range %
Cash	0-15
International Shares	85-100



Investment objective

To provide long-term growth accompanied by high levels of risk through investment in overseas companies.

Investors that the option may suit

Members seeking an exposure to international companies who are comfortable with short term volatility. It is suited for members with a longer investment timeframe and a higher risk tolerance.

Recommended minimum investment timeframe

7 years

Risk Level^

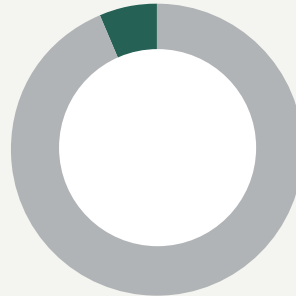
High

^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

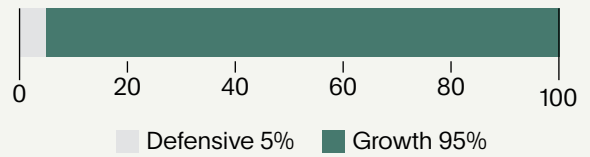
Super (accumulation)

Australian shares option

- Australian and New Zealand Shares 93.63%
- Cash 6.37%



Asset type	Range %
Cash	0-20
Australian and New Zealand Shares [^]	80-100



Investment objective

To provide long-term growth accompanied by very high levels of risk through investment in Australian and New Zealand companies with a bias to smaller companies.

Investors that the option may suit

Members seeking capital growth through long-term investments who have a higher tolerance for risk.

Recommended minimum investment timeframe

7 years

Risk Level[^]

Very high

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Pension investment options

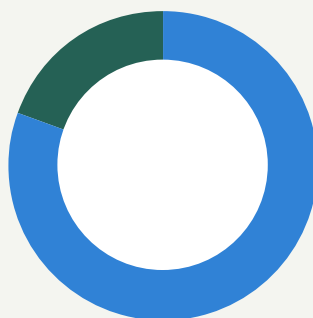
Asset allocations (%) to 30 June 2024

Pension

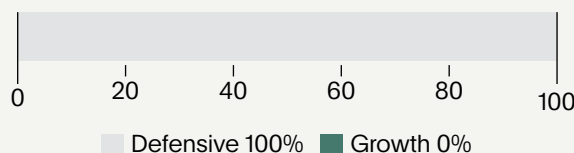
The information below outlines the investment objectives, minimum investment timeframes, risk levels, and asset allocations of each of the investment options as at 30 June 2024. As of 1 October 2024 we updated and reissued the PDS for our Superannuation and Pension product; please refer to the PDS and Pension Additional Information Booklet at www.australianethical.com.au/super/pds-forms/ for more information.

Defensive option

- Interest Bearing General 80.59%
- Cash 19.41%



Asset type	Range %
Interest-bearing investments	90-100
Cash	0-10



Investment objective To provide members with a portfolio focused on preservation of capital through low risk income generating investments.

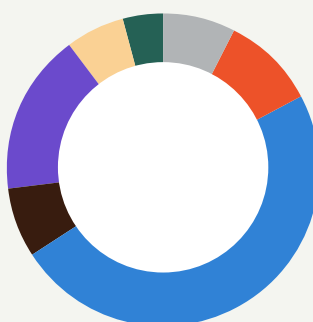
Investors that the option may suit Members wanting a low risk of capital loss and low volatility with a short investment timeframe.

Recommended minimum investment timeframe 1 year

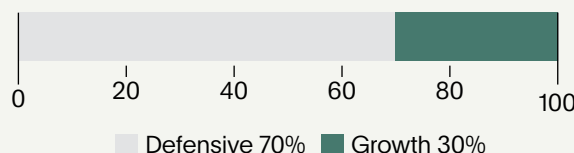
Risk Level[^] Very low

Conservative option

- Australian and New Zealand Shares 7.51%
- International Shares 9.83%
- Interest Bearing General 48.69%
- Alternatives 7.08%
- International Interest Bearing General 16.70%
- Property 6.09%
- Cash 4.10%



Asset type	Range %
Interest-bearing investments & Cash	20-100
Property	0-15
Australian and New Zealand Shares	0-20
International Shares	0-20
Alternatives	0-15



Investment objective To provide members with returns only moderately above inflation over a medium time horizon with low to medium levels of investment risk.

Investors that the option may suit Members closer to, or in retirement, who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

Recommended minimum investment timeframe 3 years

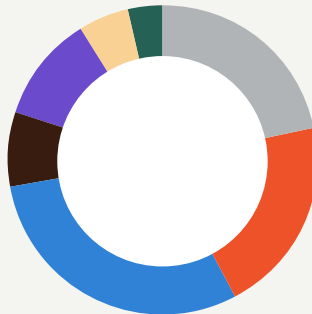
Risk Level[^] Low to medium

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

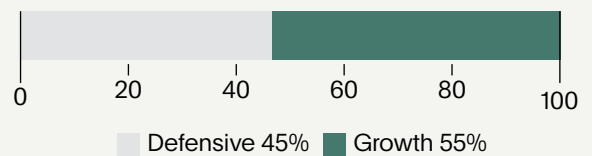
Pension

Balanced (accumulation) option

- Australian and New Zealand Shares 21.79%
- International Shares 20.68%
- Interest Bearing General 29.80%
- Alternatives 7.98%
- International Interest Bearing General 10.96%
- Property 5.39%
- Cash 3.40%



Asset type	Range %
Interest-bearing investments & Cash	30-60
Property	0-20
Australian and New Zealand Shares^	10-35
International Shares	5-30
Alternatives	0-20



Investment objective

To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk.

Investors that the option may suit

Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years.

Recommended minimum investment timeframe

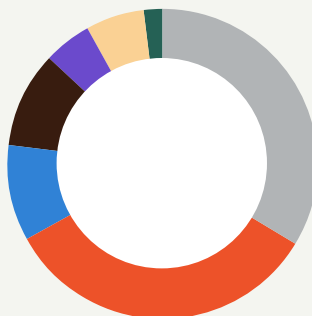
5 years

Risk Level^

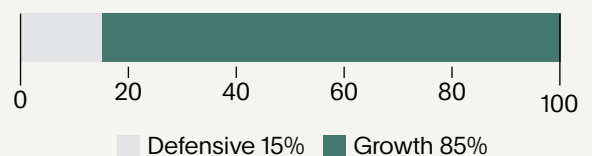
Medium to high

Growth option

- Australian and New Zealand Shares 33.62%
- International Shares 33.38%
- Interest Bearing General 10.04%
- Alternatives 10.13%
- International Interest Bearing General 4.88%
- Property 6.27%
- Cash 1.68%



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares^	15-55
International Shares	10-50
Alternatives	0-20



Investment objective

To provide long term growth accompanied by high levels of risk through holding mostly growth assets.

Investors that the option may suit

Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short-term market fluctuations.

Recommended minimum investment timeframe

6 years

Risk Level^

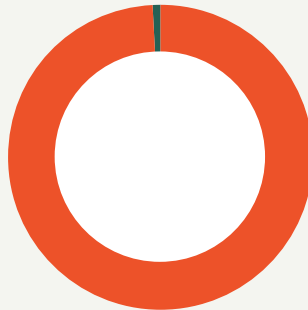
High

^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

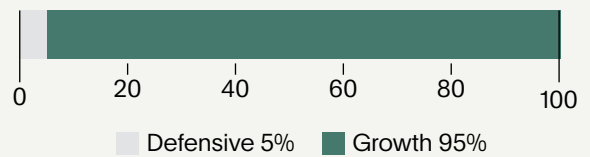
Pension

International shares option

- International Shares 99.40%
- Cash 0.60%



Asset type	Range %
Cash	0-15
International Equity	85-100



Investment objective

To provide long-term growth accompanied by high levels of risk through investment in overseas companies.

Investors that the option may suit

Members seeking an exposure to international companies who are comfortable with short term volatility. It is suited for members with a longer investment timeframe and a higher risk tolerance.

Recommended minimum investment timeframe

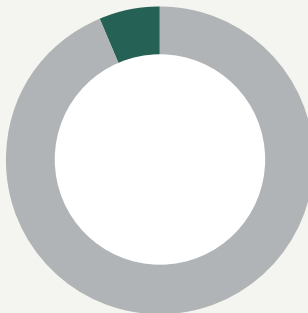
7 years

Risk Level[^]

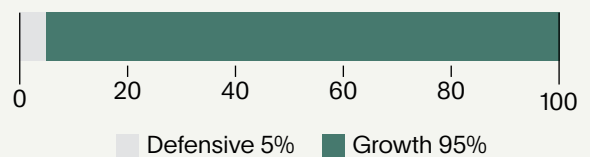
High

Australian shares option

- Australian & New Zealand Shares 93.67%
- Cash 6.33%



Asset type	Range %
Cash	0-20
Australian & New Zealand Shares [^]	80-100



Investment objective

To provide long-term growth accompanied by very high levels of risk through investment in Australian and New Zealand companies with a bias to smaller companies.

Investors that the option may suit

Members seeking capital growth through long-term investments who have a higher tolerance for risk.

Recommended minimum investment timeframe

7 years

Risk Level[^]

Very High

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Investment performance

Super and pension returns to 30 June 2024[#]

Our MySuper option (Balanced accumulation) outperformed its benchmark⁹ over 1, 3, 5, 7 and 10 years, while our Australian Shares accumulation option met or exceeded benchmark⁶ for all periods of three years or greater.

Accumulation options performance	1 year % p.a.	3 years % p.a.	5 years % p.a.s	7 years % p.a.	10 years % p.a.	20 years % p.a.
Balanced Accumulation	6.8	3.0	5.6	6.5	6.8	5.7
Benchmark ⁵	7.4	8.4	7.0	6.5	6.2	6.3
High Growth Accumulation	9.2	4.5	7.1	8.1	8.4	n/a
Benchmark ⁷	8.6	9.6	8.1	7.6	7.2	n/a
Growth Accumulation	7.8	4.1	6.4	7.2	7.5	6.3
Benchmark ⁶	7.9	9.0	7.6	7.0	6.7	6.8
Conservative Accumulation	3.8	0.0	1.4	2.5	2.9	n/a
Benchmark ⁴	5.3	6.0	4.6	4.0	3.7	n/a
Defensive Accumulation	4.0	1.9	1.2	1.2	1.2	2.4
Benchmark ^{1<}	3.6	1.9	1.2	1.2	1.3	3.1
Australian Shares Accumulation	9.7	1.5	8.4	8.7	10.3	9.6
Benchmark ^{3<}	10.4	5.2	6.4	7.7	6.9	4.6
International Shares Accumulation	16.3	8.0	10.0	9.9	9.5	n/a
Benchmark ^{2<}	17.4	9.7	11.3	11.4	10.4	n/a

Pension options	1 year % p.a.	3 years % p.a.	5 years % p.a.s	7 years % p.a.	10 years % p.a.	20 years % p.a.
Balanced Pension	6.5	2.3	4.8	5.7	6.3	5.7
Benchmark ⁹	6.9	7.9	6.5	6.0	5.7	5.8
Growth Pension	8.5	4.0	6.8	7.8	8.2	6.9
Benchmark ¹⁰	8.2	9.0	7.6	7.1	6.7	6.8
Conservative Pension	4.3	-0.0	1.4	2.7	3.2	n/a
Benchmark ⁸	5.5	6.1	4.6	4.0	3.7	n/a
Defensive Pension	4.6	2.1	1.3	1.4	1.4	2.9
Benchmark ^{1<}	4.1	2.2	1.3	1.4	1.5	3.2
Australian Shares Pension	10.0	1.4	9.1	9.5	11.0	10.5
Benchmark ^{3<}	11.6	5.8	7.1	8.4	7.6	5.2
International Shares Pension	17.4	8.4	10.6	10.4	9.8	n/a
Benchmark ^{2<}	19.6	10.9	12.7	12.8	11.6	n/a

Please note: Past performance is not an indicator of future performance. Performance is not guaranteed.

** Super and Pension returns are calculated in compliance with APRA SRS702. It is the return that would have been achieved for a representative member with a \$50,000 balance and no contributions, after all administration and investment fees, taxes and other costs. Past performance is not a reliable indicator of future performance.

After fees performance

1 Bloomberg AusBond Bank Bills Index

2 MSCI World ex Australia (NET)

3 S&P/ASX 300 Accumulation

4 SuperRatings SR50 Capital Stable (20-40) Index

5 SuperRatings SR50 Balanced (60-76) Index

6 SuperRatings SR50 Growth (77-90) Index

7 SuperRatings SR25 High Growth (91-100) Index

8 SuperRatings SRP50 Capital Stable (20-40) Index

9 SuperRatings SRP25 Conservative Balanced (41-59) Index

10 SuperRatings SRP50 Growth (77-90) Index

~ Net of tax and % administration fees

< Net of % administration fees

Note: Where benchmarks have changed, we have melded them together.

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Our ethical approach

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 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 eight. 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% 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 more than 330 companies (or other entities) seeking progress on ethical issues. Of these, more than 140 were proactive engagements: 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 year¹⁶. We made two divestments on ethical grounds¹⁷.

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 FY24¹⁸.

Along with the assessments by Morningstar, B Corp, RIAA and Rainmaker covered earlier in this report¹⁹, 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.

Our approach to climate change

All of our investments are made considering our Ethical Charter, which is embedded in our Constitution and overseen by our Board. The Charter's 23 principles are applied using our ethical frameworks, policies and measurement systems. These ensure we prioritise action to avoid dangerous climate change and its serious impacts on the planet, people, and animals. This priority is pursued through the way we invest, including through negative and positive screening, engagement and advocacy, and climate performance measurement and reporting.

Our investment screening and company engagement guides us to sectors and companies which are aligning their businesses with the transition needed to limit climate change consistent with the global goals set out in the Paris Agreement. We believe these investments are better positioned to manage many climate-related risks, such as the risk of introduction or increase in carbon pricing. Our approach can also strengthen specialist investment capabilities to navigate technological change associated with climate disruption and transition.

While our investment approach focuses on the need to reduce emissions to limit dangerous climate change, we also recognise it is crucial that companies have business models and strategies which are adaptable to the physical impacts of current and future climate change.

Real estate and infrastructure are particularly exposed to many physical impacts of climatic change. Greater extremes of heat and cold raise operating costs and in some cases will threaten operational viability. Increased frequency and severity of wind, fire, storms and flooding across the globe mean many assets will suffer significant damage more often, increasing repair costs and the need for additional investment to protect them. Some buildings and infrastructure will no longer be capable of fulfilling their original function and will become liabilities rather than assets, with owners required to dismantle or decommission them. We rely heavily on the management of climate-related risks by our external property and infrastructure managers.

Leadership and innovation

Our purpose is investing for a better world – helping to support a sustainable future where people and nature thrive, by investing in companies and assets that we believe are part of the solution for a sustainable economy, and restricting investments in companies that aren't.

For many, it stands to reason that there is a compelling investment thesis for companies that are well positioned for this transition. By creating as well as meeting increased demand for responsible investing, we believe we can help set in motion a cycle that continuously reinforces and amplifies positive results for investors and planet, driving long-term prosperity and sustainable outcomes.

As temperature records are broken all over the world, and thousands of people have been affected by fires and floods globally, this shift can't come soon enough. We therefore continue to build our capability and scalability to continue to take a leadership position in term of our investment approach including the influence we can create outside our FUM through our advocacy with markets, companies, governments and the general public.

1 Morningstar Manager Research and Morningstar Direct at 30 November 2023

2 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 on our website at australianethical.com.au/why-ae/ethics/.

Accounts

The Australian Ethical Retail Superannuation Fund financial statements for the year ended 30 June 2024/2023 are shown in abridged form below. A copy of the full accounts and the auditor's report is available to members upon request. Please phone 1800 021 227, if you would like a copy mailed to you.

Statement of financial position

As at 30 June 2024

	2024 \$'000	2023 \$'000
Assets		
Cash and cash equivalents	49,811	50,859
Investments	8,212,705	7,185,871
Derivative assets	547	
Receivables		
Receivables	167,421	110,768
Other assets		
Deferred tax assets	663	680
Total assets	8,431,147	7,348,178
Liabilities		
Payables	14,141	25,857
Current tax liabilities	25,319	14,519
Deferred tax liabilities	119,803	80,559
Derivative liabilities		433
Total liabilities (excluding member benefits)	159,263	121,368
Net assets available to pay benefits	8,271,884	7,226,810
Member benefits		
Allocated to members	8,242,744	7,202,543
Unallocated to members	6,182	5,152
Total member benefits	8,248,926	7,207,695
Total net assets	22,958	19,115
Equity		
Operational risk reserve	22,958	19,115
Total equity	22,958	19,115

Income statement

For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Superannuation activities		
Distributions and dividends	262,127	153,572
Interest	2,279	1,211
Movement in fair value of investments	408,971	486,770
Other income	5,288	4,467
Net revenue	678,665	646,020
Expenses		
Investment expenses	56,369	44,081
Administration expenses	24,407	18,777
Other expenses	101	
Total expenses	80,877	62,933
Profit from operating activities before income tax expense	597,788	583,188
Less: Income tax expense	34,700	42,251
Profit from operating activities after income tax expense	563,088	540,937
Less: Net benefits allocated to members' accounts	559,245	536,365
Profit after income tax	3,843	4,572

Statement of changes in member benefits

For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Opening balance of member benefits	7,207,695	4,233,339
Employer contributions	627,560	481,669
Member contributions	131,615	110,705
Transfers from other funds	298,572	331,918
Government contributions	6,717	4,702
Successor fund transfer		1,924,245
Income tax on contributions	(99,631)	(77,579)
Net after tax contributions	8,172,528	7,008,999
Benefit payments	(475,403)	(329,626)
Insurance premiums charged to members' accounts	(19,738)	(14,927)
Death and disability benefits credited to members' accounts	12,294	6,884
Benefits allocated to members' accounts, comprising;		
Net investment income	561,477	541,788
Net direct administration fees*	(2,232)	(5,423)
Closing balance of member benefits	8,248,926	7,207,695

* Net of excess administration reserve disbursement following Christian Super SFT.

Investments with a value greater than 5% of the total assets of the fund

Fund	Percentage of total fund assets	Amount \$'000
Australian Ethical Balanced Fund	59.41%	\$4,252,766,
Australian Ethical Australian Shares Fund	9.22%	\$660,141,
Australian Ethical High Growth Fund	7.95%	\$569,295

Statement of changes in reserves

For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Opening balance of operational risk reserve	19,115	9,730
Net funding to reserves	2,298	2,934
Successor fund transfer	–	4,813
Movement in fair value of investments	1,545	1,638
Closing balance of operational risk reserve	22,958	19,115

The above statement of changes in reserves should be read in conjunction with the accompanying notes.

The Fund maintains an Operational Risk Financial Reserve (ORFR) in accordance with the requirements established by the Australian Prudential Regulatory Authority under Prudential Standard SPS 114 Operational Risk Financial Requirement.

The purpose of the ORFR is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The use of the ORFR is governed by the requirements of SPS 114, which is applicable to all APRAregulated funds.

The Trustee has assessed a target ORFR balance of 0.25% of funds under management as appropriate for the Fund, with a 0.20% to 0.33% range to allow for changes in market movements. As at 30 June 2024 the ORFR balance equates to 0.28% (2023: 0.27%) of funds under management.

Transfers in and out of the ORFR are made only at the authorisation of the Trustee and in accordance with the Fund's Reserve Policy. The ORFR is funded out of the Trustee's administration fee entitlement. Earnings on invested amounts are retained within the ORFR. The reserve is held separately to other Fund assets and is fully invested in the Australian Ethical Balanced Fund.

Things you should know

The Trustee

The Trustee of The Australian Ethical Retail Superannuation Fund is Australian Ethical Superannuation Pty Ltd. The role of the Trustee is to operate the Fund in accordance with its Trust Deed and relevant law. The Fund is regulated by various pieces of legislation including the Superannuation Industry (Supervision) Act 1993 (SIS) and the Corporations Act 2001.

The Australian Ethical Retail Superannuation Fund is managed by a board of four Directors. All Trustee Board Directors undertake ongoing education and training relevant to their duties. Details about each Director can be found on the Australian Ethical website.

Directors receive a Director's fee and reimbursement for their expenses. Remuneration details for Directors and Senior Management are disclosed on the Australian Ethical website.

Indemnity insurance

The Trustee is covered by indemnity insurance to protect it from losses arising from claims against it. The insurance has been provided by Chubb Insurance Australia Ltd throughout the 2023-2024 financial year.

Investment managers

The Trustee uses Australian Ethical Investment Ltd as its investment manager. More than 5% of the Fund's assets were invested in the Australian Ethical managed investment schemes where Australian Ethical Investment Ltd is the responsible entity (AFSL 229949).

Derivatives

The Australian Ethical Retail Superannuation Fund does not directly use derivatives. It invests in managed investment schemes managed by Australian Ethical Investment Ltd, which may use derivatives to reduce the impact of large adverse movements in currency exchange rates (foreign currency hedging). The managed investment schemes may also use derivatives to manage interest rate and duration risk in fixed interest and property portfolios.

Complaints resolution

If you are not satisfied with any aspect of our service, please contact our Client Service team on 1800 021 227 or email members@australianethical.com.au.

We aim to acknowledge your complaint within 1 business day of receiving it, or as soon as practicable.

The legislated timeframe to resolve your complaint is 45 calendar days after receiving your complaint or for complaints about superannuation death benefit distributions, no later than 90 calendar days after the expiry of the 28 calendar day period for objecting to a proposed death benefit distribution.

If we do not resolve your complaint to your satisfaction, you can complain to the following external dispute resolution body at no charge to you:

The Australian Financial
Complaints Authority (AFCA)
w www.afca.org.au
e info@afca.org.au
t 1800 931 678

Unclaimed Super

If you are a lost Member and your account balance is less than \$6,000 we are required to transfer your account balance to the ATO.

Transferring your account to the ATO may affect your benefits because you will no longer be a member of the Fund and any insurance cover you hold through the Fund will cease. It is important you tell us when your address changes to avoid having your benefits sent to the ATO.

ASIC Statement

The Trustee relies on ASIC relief to the effect that the Trustee is not obliged to notify or give an exit statement to a non-resident in circumstances where the Trustee pays unclaimed superannuation to the Commissioner of Taxation under Division 3 of Part 3A of the Superannuation (unclaimed Money and Lost Members Act) 1999.

Temporary residents

If you are, or have been, working in Australia on a temporary resident visa and you are not a permanent resident or an Australian or New Zealand citizen, then once you permanently depart Australia you may be able to apply for and be paid your benefit from the Fund subject to providing the Trustee with the required evidence and meeting other eligibility requirements for the Departing Australia superannuation payment

(DASP). If it has been six months or more since you left Australia, your visa has ceased to be in effect. If you have not claimed DASP, your super fund will transfer your super money to the ATO as unclaimed super money and you will need to claim your super benefit directly from the ATO.

For more information, visit the ATO website, www.ato.gov.au/super

Allotment of earnings

Australian Ethical Retail Superannuation Fund uses unit prices for its investment options. The investment options in the Fund are valued daily. This in turn determines the value of each member's account. Movements in unit price reflect movements in the value of an investment option's assets as well as amounts payable by the investment option for fees and expenses.

Service providers

The Trustee has appointed the following independent organisations to assist with the key operations of the Fund.

- Administration –
Mercer Outsourcing (Australia) Pty Ltd
ABN 83 068 908 912
Australian Administration Services Pty Ltd
ABN 62 003 429 114
- Custody Services and Investment Administration –
National Australia Bank Limited ABN 12 004 044 937
- Investment Manager –
Australian Ethical Investment Ltd ABN 47 003 188 930
- Group Life Insurer – MetLife Insurance Limited
ABN 75 004 274 882
- External Auditor – KPMG Australia Pty Ltd
ABN 47 008 644 728
- Internal Auditor – PricewaterhouseCoopers
ABN 52 780 433 757
- IT Infrastructure Services – Canon Business Services
Australia Pty Ltd ABN 42 063 577 739

You can find a full list of material service providers at www.australianethical.com.au/super/governance.



Additional Information

Increased Contribution caps

A number of changes to super contribution caps for members were introduced and applied from 1 July 2024.

These changes include:

- **Concessional (before-tax) contributions:** From 1 July 2024, the annual cap for concessional (before-tax) contributions into super increased to \$30,000 (previously \$27,500).
- **Non-concessional (after-tax) contributions:** The increase in the concessional contributions cap means the non-concessional (after-tax) contributions cap also increases from 1 July 2024 to \$120,000 per year (from \$110,000).

Increase to the concessional tax on accounts above \$3 Million

In the 2023/24 Federal Budget, the Government confirmed its intention to increase the concessional tax applied to future earnings on total superannuation balances that exceed \$3 million. This reform intends to increase the tax rate for earnings on balances above \$3 million to 30%. Any earnings related to an individual's balance below the \$3 million threshold will remain at 15%.

Subject to the passage of legislation, this change is intended to apply from 1 July 2025.

Increased payment frequency for superannuation guarantee contributions

The Government announced in the 2023/24 Federal Budget, that from 1 July 2026, it will seek to amend the payment frequency of Superannuation Guarantee (SG) contributions by requiring employers to pay SG contributions at the same time that they pay their employee's salary or wages. This will increase the minimum frequency for the payment of SG contributions from the existing quarterly requirement and will allow employees to have better visibility over their SG contributions. Receiving contributions earlier will also see contributions invested for a longer period giving a greater potential for compounding returns.

Superannuation Guarantee (SG) increases

As at 1 July 2023, the Superannuation Guarantee rate increased from 10.5% to 11%. This was increased to 11.5% on 1 July 2024.

Change of Super Administrator

We recently announced that we have selected a new superannuation administration provider, GROW Technology Services Ltd (**Grow**), to enhance our member portal and the services we provide to our superannuation members.

Our administration provider supports Australian Ethical Super and our member in processing transactions and providing a member portal that gives you access to correspondence, statements and allows you to update your contact details. Member accounts previously administered by Mercer Outsourcing (Australia) Pty Ltd will be moved to Grow, with the change of administrator being effective 4 November 2024.

Change to Custodian

Effective 1 November 2024, State Street Australia Limited (ABN 21 002 965 200), will replace National Australian Bank Limited ABN 12 004 044 937 (NAB) as custodian of the Fund assets.

Increased transfer balance cap

The transfer balance cap is a limit on the total amount of superannuation that can be transferred into the retirement phase. All your super account balances (regardless of how many you have) will be included to calculate this amount.

From 1 July 2023, this increased to \$1.9 million.

Other superannuation changes

Any changes to key rates and thresholds for the 2023/24 financial year can be found on the Australian Taxation Office's website at www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/.



Directors

The following persons were directors of Australian Ethical Investment Superannuation Pty 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 is a member of the Audit, Risk and Compliance Committee and the

Insurance Benefits Committee. He is also Chair of Australian Ethical Investment Limited for which he Chairs the People, Remuneration and Nominations Committee, is a member of the Investment Committee, the Product Disclosure Statement Committee and the Australian Ethical Investment Limited Audit, Risk & Compliance Committee. He is Chair of 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 Bùn
Non-Executive Director
since 2013
 BA (Political Economy),
 GAICD

Mara is a member of the Audit, Risk and Compliance Committee. She is a

Director of Australian Ethical Investment Limited for which she is a Member of the People, Remuneration and Nominations Committee, the Investment Committee and Audit, Risk & Compliance Committee. She is a Director of Australian Ethical Foundation Limited.

Mara brings executive experience from Green Cross Australia, Choice, CSIRO, Macquarie Bank and Canstar. She is a Founder of The Salmon Project, specialist advisors to Climatetech and Agritech scale-ups advancing Series B venture funding through deep tech R&D. She is the Non-Executive Chair of four organisations: the Gold Coast Waterways Authority; Bowerbird Collective, a chamber music ensemble dedicated to nature conservation through performance; asset consultants Australian Impact Investments; and the Australian Conservation Foundation where Mara is also President.

She is a Non-Executive Director of the Boards of GreenCollar and the Conversation Brazil.



Kate Greenhill
Non-Executive Director
since 2013
 BEc, FCA, GAICD

Kate is Chair of the Audit, Risk and Compliance Committee and a Member of the Insurance Benefits

Committee, She is a director of Australian Ethical Investment Limited for which she is Chair of the Audit, Risk and Compliance Committee, and is a Member of the People, Remuneration and Nominations Committee and the Investment Committee. She is also a Director of Australian Ethical Foundation Limited.

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 also the Treasurer of a not-for-profit organisation in the education sector and a Director and Chair of the Audit and Risk Management Group of Intersect Australia Ltd.



Fiona Reynolds
Non-Executive Director
since 2024

Fiona joins the Board with more than 30 years' global experience in the financial services and

superannuation sector.

She served as the CEO of the Principles for Responsible Investment (PRI) for over nine years, stepping down at the beginning of 2022. She joined the PRI from the Australian Institute of Superannuation Trustees (AIST), where she spent seven years as CEO.

Fiona was named one of the 20 most influential people in sustainability globally by Barron's magazine and has twice been named one of Australia's one hundred women of influence by the Australian Financial Review.



Michael Anderson
Non-Executive Director
since 2022

BEc, FIAA, MAICD

Michael is a member of the Investment Committee.

Michael has been a director of financial services,

community services and church organisations with roles focussing on strategy, investments, ethics and leadership. He is currently Chair of Wesley Mission and Chair of Synod Board NSW/ACT, Uniting Church of Australia. He has been a member of the ethics and stakeholder advisory committees at other organisations.

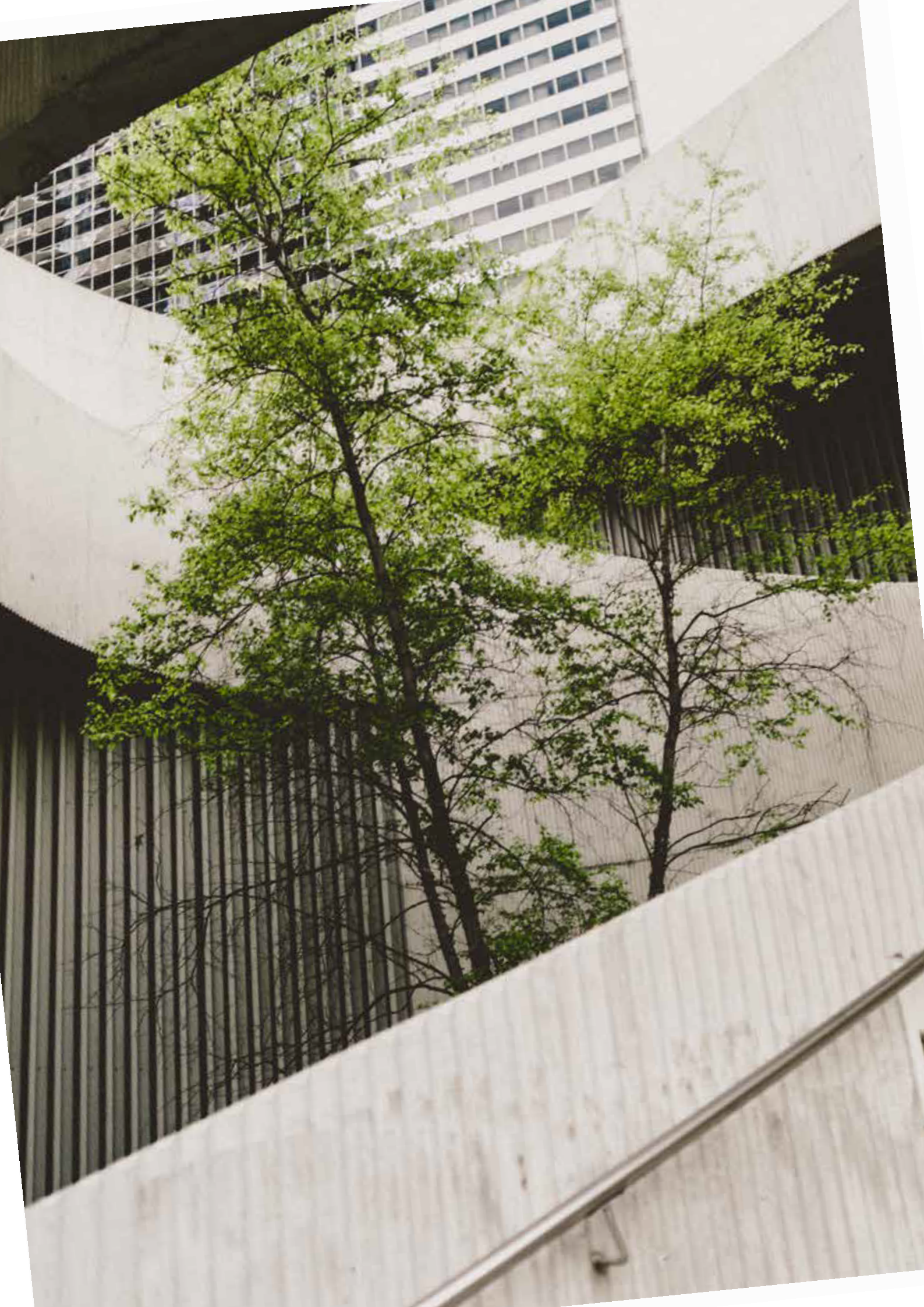
In the funds management industry, Michael had experience spanning senior investment and general management roles. These roles have included leadership of a large Australian Sustainable Investment Fund and being a company spokesperson on corporate governance issues.

Executive Leadership

The executive leadership team consists of the following people:

- John McMurdo, Chief Executive Officer
- Ross Piper, Chief Executive Superannuation
- Mark Simons, Chief Financial Officer
- Karen Hughes, Chief Risk Officer & Company Secretary
- Madeleine Bandfield, Executive Officer Superannuation

Further information about the executive leadership team and executive remuneration can be found at www.australianethical.com.au/super/governance.



**Australian
Ethical**



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