



ETHICAL
PARTNERS
AUSTRALIAN
SHARE FUND

PORTFOLIO
POSITIONS AND
RATIONALE

JUNE
2021

ANZ Banking Group (ASX: ANZ)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

ANZ is one of the four major banks in Australia and has over 6.7 million retail customers, and as such is a major lender, deposit holder, payments facilitator and tax payer in the Australian economy. ANZ has been making good progress against the majority (84%) of its targets and acknowledges it has needed to accelerate this momentum. It has committed to provide at least \$50 bn by 2025 towards sustainable solutions for customers including sustainability linked and green loans, renewable energy and low transport financing and has also committed to increasing access to affordable housing through social bonds and facilitating \$1 bn in affordable housing investment by 2023. It has also committed to exit thermal coal by 2030 reduce scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030, and is currently tracking ahead of these targets. Post the Financial Services Royal Commission the bank continues to remediate customers, change remuneration practices and drive cultural change throughout the organisation. It also provided an important role in COVID in regards to deferrals, interest rate variations and community donations, and additionally has implemented programs to address financial inclusion, unbanked populations and living wage for its employees.

ENGAGEMENT POINTS

Accelerating fossil fuel exit and emissions reduction targets, deforestation and biodiversity, responsible financial products and behaviours, lifting complaints standards, ethical sourcing and supply chain segmentation and disclosure.

KEY INVESTMENT RISKS

Australia's broader economic outlook for consumers and business. Ongoing responsible banking practices.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Arena REIT (ASX: ARF)

THEME

Social Infrastructure/Green buildings

COMPANY DESCRIPTION

ARF is an Australian based owner of Childcare, Early Learning Centres and healthcare facilities. It owns the sites and works closely with childcare operators with which it contracts via triple net leases. The REIT offers excellent income security due to the long weighted average lease duration of well over ten years. ARF places significant emphasis on tenant quality, affordability and sustainability. The provision of childcare services is important for addressing quality educational outcomes, socioeconomic inequality and gender equality in work force participation rates.

ENGAGEMENT POINTS

Children's Rights: Ongoing dialogue on communicating how it facilitates via its tenants positive outcomes in the area of pre-school care and education

KEY INVESTMENT RISKS

A reduction in Government support for the early learning sector

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Australian Stock Exchange (ASX: ASX)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

ASX is a vertically integrated exchange offering listings, trading, clearing, settlement, technical and information services, technology, data and other post-trade services. ASX operates across a wide range of asset classes including shares, debt and commodities. The business employs technology to provide streamlined solutions to its customers. As a digital-based infrastructure style business the company has a low environmental footprint. The ASX is also increasingly supporting the transition to a low carbon economy by encouraging companies listed on the stock exchange to disclose its material risks including climate related risks, and we believe it can have a very influential role in further advocating for mandatory ESG reporting requirements. The ASX is also a member of the Sustainable Stock Exchange initiative.

ENGAGEMENT POINTS

Requiring mandatory ESG reporting for company listings, participating in advocacy for improved company reporting, Cyber security risks and mitigation measures employed to deal with potential cyber-attacks. Gender diversity and risks of modern slavery in the company's supply chain.

KEY INVESTMENT RISKS

Trading volumes and changes in regulation.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Bega Cheese (ASX: BGA)

THEME

Sustainable Agriculture/Food Security

COMPANY DESCRIPTION

Bega Cheese is one of Australia's largest dairy processors and manufacturers, collecting around 1.7 bn litres of milk per annum. The company has been leading in its supplier relationships, supporting farmers during drought and working with them to improve environmental impacts on land. A program focussing on food production systems is in place with aims of progressively improving on-farm land and soil quality by 2030, and the company offers support and incentives to its farmers to improve its regenerative agricultural practices. The company committed to the Responsible Children's Marketing Initiative in 2020 and will also transition a significant amount of its plastic to recyclable material going forward. Bega is working towards further improvements in nutrition of its products and has stated goals around reduction of salt. The company is undertaking significant research around Sustainable Agriculture, biodiversity and the circular economy during 2021.

ENGAGEMENT POINTS

Continuing and increasing attention to sustainable agricultural initiatives, further refinement of the company's Ethical Sourcing Policy and targets for the reduction of carbon emissions. Outcomes on Biodiversity research and the 2030 land management program with farmer suppliers. Plastics reduction and nutrition.

KEY INVESTMENT RISKS

Dairy commodity price volatility, the strengthening Australian dollar and the integration of the acquisition of Lion Dairy and Drinks.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Blackmores Ltd (ASX: BKL)

THEME

Health & Wellbeing

COMPANY DESCRIPTION

BKL is an Australian natural health company that produces and sells vitamins, minerals and nutritional supplements. Founded in Australia in 1930, it now sells its products in Australia as well as China and several countries in Asia. BKL has a strong commitment to sustainability and we recognise it as a leader in the broader sustainability space. The company is committed to being Net Zero carbon by 2030, and to reducing its packaging footprint, and has made good progress in these areas. It continues to make sustainability progress by the adoption of cleaner energy sources, the implementation of a responsible sourcing and procurement framework, attention to its SDG impact and integration of sustainability into its business strategy. It also play an important role in encouraging health and wellbeing through its research, trials, grants and practitioner training in the complementary medicine space.

ENGAGEMENT POINTS

Interim emission targets given in the short term emissions will rise due to the opening of its Braeside manufacturing plant, attention to biodiversity and sustainable agricultural and fisheries sourcing. Packaging footprint and recycling.

KEY INVESTMENT RISKS

Ongoing competition in the Australian vitamin market and the broader relationship between Australia and China and its impact on sales in China.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Bluescope Steel Ltd (ASX: BSL)

THEME

Responsible raw materials

COMPANY DESCRIPTION

Bluescope is one of the world's largest producers of metal coated and painted steel building products. Bluescope's products are essential components across a range of industries including housing, automotive, construction and agriculture. The business employs more than 14,000 staff across 18 countries and is the owner of the iconic Colorbond brand. The company was a founding member of the Responsible Steel Initiative and is a leader in its supply chain and modern slavery management. Whilst operating in an emissions intensive industry, the company management and board has a very strong focus on sustainability and the need to transition, and has recently appointed a Chief Executive of Climate Change. It has undertaken detailed climate change impact analysis and is expanding its renewables capacity, recycled scrap usage and lower emissions electric arc furnace technology. Bluescope is also active in several key industry collaborations to actively address the challenges faced by this sector in meeting decarbonisation goals. It also is a key player in the NSW Government Illawarra Renewable Energy Zones.

ENGAGEMENT POINTS

Emission targets, and accelerated decarbonisation. Collaborations, research and transition planning, preparation for adoption of emerging technologies to lower environmental impact from steel making.

KEY INVESTMENT RISKS

Steel spreads, global economic growth as impacts steel demand, strength of Australian housing market.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Brambles (ASX: BXB)

THEME

Circular Economy

COMPANY DESCRIPTION

Brambles is a supply chain logistics company, operating in over 60 countries. The primary operating business is pallet company CHEP which is embedded in the global supply chains for major retailers and consumer businesses in the US, EMEA and Asia-Pac. For context of its footprint, Brambles has almost one pallet in circulation per every 10 people in the world. Brambles' business model very much encapsulates the notion of a circular economy and a regenerative supply chain. Brambles has comprehensive 2025 targets, including being forest positive and ensuring certified sustainable sourcing of 100% of timber, being carbon neutral by 2025, sourcing 100% renewable energy and being waste positive by 2025. It has also committed to being water positive by 2025. It is also involved in circular economy Zero Waste collaborations, has good gender diversity targets and targets to address inclusivity and accessibility.

ENGAGEMENT POINTS

Updated emissions targets. The potential of a shift to plastic pallets from wood and the environmental impact. Circular economy and supply chain management.

KEY INVESTMENT RISKS

The potential threat of competing pallet pools, namely the push from one major US client to adopt a plastic pallet pool structure.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Commonwealth Bank (ASX: CBA)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

Commonwealth Bank is the largest financial services provider in Australia with approx. 16 million customers. The company has the highest market share in Australia in many banking segments and as such it can have a significant sustainability influence on the footprint of the ASX as a whole as well as on its downstream customers. The bank has renewed senior leadership and post the Financial Services Royal Commission has paid significant customer remediation and is now working more closely with financial regulators including AUSTRAC to prevent serious financial crime. CBA has set targets to exit thermal coal mining and coal fired power by 2030, and has decreased its exposures to gas by \$4bn, coal by \$1.4bn and oil by \$3.4 bn since 2019. It has also committed to lend \$15 bn to sustainable projects by 2025 and provided the first sustainability linked loan to be directly linked to a reduction in carbon emissions.

ENGAGEMENT POINTS

Accelerated Emissions reductions and fossil fuel exits, Responsible financial products, integration of a SDG formal framework, enhanced targets for sustainable lending, biodiversity and deforestation, ethical sourcing framework, trust and regulation.

KEY INVESTMENT RISKS

Australia's broader economic outlook for consumers and business. Ongoing responsible banking practices..

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



CSL Limited (ASX: CSL)

THEME

Health & Wellbeing

COMPANY DESCRIPTION

CSL is the world's 5th largest biotechnology company, employing 25,000 people with treatments reaching approximately 70 countries. CSL has two main divisions, the first and largest being CSL Behring, which specialises in the treatment of rare and serious diseases with a particular focus on the use of plasma derived products. The second division is Seqirus, a global influenza vaccine manufacturer. CSL is one of the largest global providers of these vaccines, and is the world's largest provider of plasma, used to treat rare diseases and transplant patients. CSL is also involved in extensive medical research and collaborations.

ENGAGEMENT POINTS

Increased disclosure around how CSL cares for the health of its plasma donors and recruitment of vulnerable donors. The introduction of emissions targets from CSL given its large, global manufacturing footprint.

KEY INVESTMENT RISKS

The emergence of competing therapies, notably the FcRn inhibitors which may prove to be a challenger in the treatment of autoimmune diseases. The emergence of regulatory risks, focussed on the frequency and controls in plasma donation in the USA.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Eureka Group Holdings (ASX: EGH)

THEME

Social Infrastructure/ Green buildings

COMPANY DESCRIPTION

EGH owns and manages senior independent living communities in Australia. It provides accommodation for a growing segment in the Australian community – older Australians that don't own their own home or prefer to rent its home. The asset class is currently fragmented and over time will be institutionalised. EGH is at the forefront of this change in industry structure. While it does not operate its assets under the Aged Care regime, it does have a duty of care for its residents. The EGH management team takes this duty of care responsibility seriously and continues to implement processes and systems which will be to the benefit of its residents.

ENGAGEMENT POINTS

Ongoing discussions regarding human rights and respect and care for residents. Further implementation of solar and renewable energy in villages.

KEY INVESTMENT RISKS

Occupancy levels and rent sustainability / affordability.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Goodman Group (ASX: GMG)

THEME

Essential infrastructure

COMPANY DESCRIPTION

GMG is an industrial, integrated property group with assets in Australia, US, UK, Europe and Asia. It owns, manages and develops industrial distribution warehouses on balance sheet but also on behalf of several large wholesale funds. The underlying investors in these funds are some of the world's largest global pension and sovereign wealth funds. GMG is benefitting from the global trend to move online. It is now starting to build multi-storey distribution warehouses closer to population centres which has multiple sustainability benefits. It also recognises that its underlying investors and customers have high sustainability standards and as such is ensuring that its portfolio includes leading-edge technology enhancements to minimise waste and energy use and reduce emissions.

ENGAGEMENT POINTS

Monitoring of Net Zero aspirations and progress. Quantitative measurements on the benefits of multi storey assets.

KEY INVESTMENT RISKS

The increasing level of development without a substantial tenant pre-commitment and lumpiness of development earnings generally.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Graincorp (ASX: GNC)

THEME

Sustainable Agriculture/Food Security

COMPANY DESCRIPTION

Graincorp collects, stores and markets Australia's grain harvest through seven bulk grain ports and around 145 silos in regional areas. It is the largest grain accumulation and marketing network in eastern Australia. The company is also the largest producer of edible oils in Australia (crushing, refining, and storage). Graincorp also owns Auscol which is the leading recycler of waste oils and fats in Australia, which is an important circular economy initiative. Graincorp is also one of the key partners and investors with CSIRO in Future Feed, which is bringing an innovative seaweed based animal feed product to the market which has been found to cut methane emissions in cattle by more than 80%. The company is rolling out an energy management system and is addressing its energy efficiency in its operations, including its refrigeration, boiler and grid infrastructure processes. It is also expanding its focus on water and waste. Additionally, as a provider of essential infrastructure the company influences outcomes up and down the food supply chain and can have a strong influence on its supply chain regarding sustainable and regenerative agricultural practices.

ENGAGEMENT POINTS

Formal SDG business integration, implementation of biodiversity programs to improve land care at farm suppliers, emissions reductions targets, water, waste, Modern Slavery.

KEY INVESTMENT RISKS

Annual crop production volumes, although somewhat mitigated through ten year insurance arrangements.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Healius Ltd (ASX: HLS)

THEME

Health & Wellbeing

COMPANY DESCRIPTION

Healius has three key business segments, Pathology, Imaging and Day Hospitals. The pathology segment is one of the largest private pathology providers in Australia with a 33% market share, with approximately 100 medical labs and 2,237 Approved Collection Centres (ACC) across Australia. Near term, COVID-19 has provided support to the earnings outlook for the Pathology segment. Day Hospitals provide services such as IVF, skin cancer removal and a range of other routine procedures. The Imaging division provide services such as x-rays, ultrasound etc. As such, Healius is an important contributor to SDG 3 (Good Health and wellbeing) and in providing access to quality health care.

ENGAGEMENT POINTS

Formal SDG business integration, environmental disclosures and targets, waste and plastic footprint, increased disclosure with regard to human rights and supply chain, programs to support health and wellbeing to vulnerable communities.

KEY INVESTMENT RISKS

Pathology fee schedules are set by government and can vary, COVID-19 related earnings volatility, operational execution risk in particular around the LIS (Laboratory Information System) upgrade, competitive pressures and M&A.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Insurance Australia Group Ltd (ASX: IAG)

THEME

Responsible Services

COMPANY DESCRIPTION

IAG is Australia's largest general insurance business with dominant market share brands including NRMA, CGU, WFI, SGIO and SGIC. IAG also has a strong presence in NZ under Ami, State and NZI whilst also offering a broad commercial & business insurance product in Australia. Its insurance books are dominated by Home & Motor related policies. IAG has increasingly taken a leadership position in the education of regulators, government bodies and the building industry around planning for climate change. The company undertakes continual engagement with government, industry and investors on climate policy, works with community organisations to improve climate resilience, contributes meaningfully to research on climate change risks, and has been active members of the Australian Sustainable Finance Initiative and the Business Roundtable for Disaster Resilience and Safer communities and the Climate Measurements Standards Initiative. The insurance industry is in a unique position with respect to the significant climate modelling it has at its disposal. IAG is also on track for meeting its own 2025 SBTi targets for Scope 1 and 2 emissions and maintains carbon neutrality through offsets, 24% of which are indigenous offsets. It also has set targets on its Portfolio emissions of 50% reduction by 2030 and Net Zero by 2050, and has exceeded its targets for green bond investments.

ENGAGEMENT POINTS

Continued portfolio emissions reductions, customer risk mitigation pilots and initiatives, insurance access, affordability and inequality, appropriate consumer protection and interaction policies, as highlighted most recently by the 2018/19 Royal Commission.

KEY INVESTMENT RISKS

A general insurer's business model is one of the most vulnerable across all industries to the impacts of climate change so we continue to encourage IAG to take a lead on this issue, manage its exposures and educate all stakeholders.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



IGO Limited (ASX: IGO)

THEME

Renewable/Clean Energy

COMPANY DESCRIPTION

IGO is a mining and exploration company with assets primarily based in Australia. It has a strong balance sheet (net cash) and is conservatively managed. IGO's operations and growth strategy is centred on metals that are critical to a clean energy future - for example the 100% owned and operated Nova Nickel, Copper & cobalt mining complex. IGO has sold its 30% share in the highly profitable gold asset in Tropicana. IGO is in the process of finalising a company transforming acquisition of a 25% share in the Greenbushes Lithium mine and associated downstream facilities at Kwinana. IGO has an important role to play in the transition metal space and is particularly attractive to us due to its operational jurisdictions and geography, as most other lithium assets operate in areas of high country risk for bribery, corruptions and human rights and environmental abuses. We believe that IGO has strong commitment to sustainability and good sustainability practices regarding human rights, indigenous rights, environmental impact, disclosures of Scope 1 and 2 emissions and water usage and adoption of the UN SDGs and TCFD reporting. It also has a target of Net Zero by 2035. IGO is also a founding partner of the HESTA 40:40 initiative, with a strong commitment to gender equality, as well as Indigenous employment and training opportunities.

ENGAGEMENT POINTS

The interactions between extractives companies in general and the Traditional Owners, including encouraging consistent and transparent communication and high levels of Indigenous employment on site where appropriate. Biodiversity, interim targets for decarbonisation.

KEY INVESTMENT RISKS

The Key Risks to profitability is a fall in commodity prices, namely Nickel and Lithium.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Kathmandu Holdings Ltd (ASX: KMD)

THEME

Sustainable Goods

COMPANY DESCRIPTION

Kathmandu has evolved to become a leading global retailer with a brand-led strategy. Kathmandu Holdings includes the Kathmandu brand, Rip-Curl and Oboz. Kathmandu has very strong sustainability credentials including receiving B Corp classification and being the first brand in the Southern Hemisphere to receive Fair Labour Accreditation. Kathmandu is a leader in Modern Slavery reporting and practices, and was one of only two companies in the ASX to address the Xinjiang region as an area of high risk. Kathmandu also has strong attention to its SDG integration. As part of its 2025 ambitions, KMD is making strong progress towards a circular economy. Kathmandu has committed to 100% sustainable cotton, including organic, recycled and Better Cotton initiative certified product, saving water and chemical usage. It has also expanded its recycled polyester range and to date has recycled 30,423,221 plastic bottles into clothing. It is also undertaking water saving initiatives such as solution dyed technology and bio based synthetics.

ENGAGEMENT POINTS

Emissions disclosure and targets, to better understand the path to Net Zero around its emissions profile. Gender diversity in board and management.

KEY INVESTMENT RISKS

The economic cycle, travel behaviours returning to a more normalised pattern and consumer confidence.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Mercury NZ Ltd (ASX: MCY)

THEME

Renewable/Clean Energy

COMPANY DESCRIPTION

Mercury is a NZ based wholly renewable energy generation company with 17% market share, with assets in Geothermal, Hydro & Wind. Mercury is expanding its generation fleet through the acquisition of Tilt Renewables' NZ based assets. Mercury is also a strong retail brand with 19% share trading under Mercury and GLOBUG. Being a wholly renewable energy generation business Mercury is well positioned for a decarbonising world. Mercury has a small carbon footprint, has a long history of sustainably managing its hydro assets and receives an A- (leadership status) from the Carbon Disclosure Project. Mercury is committed to the ecological monitoring of its water supply, and also a deep understanding of the cultural heritage importance of the Indigenous Waikato River Iwi relationship with its natural resources. It has decreased its emissions by 40% over the past 6 years by moving away from thermal generation, and is actively partnering in developing innovative e-transport solutions and engaging with governments regarding Net Zero transitions and to promote renewable energy. Mercury is also partnering with the Iwi indigenous groups to support several environmental and ecological restoration projects.

ENGAGEMENT POINTS

Its management of cultural heritage given the enormous significance its water assets have to the Iwi (Maori people). Biodiversity and continued emissions reductions.

KEY INVESTMENT RISKS

Key risks include a long running dry event in the North Island or a large increase in generation capacity in NZ.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Meridian Energy (ASX: MEZ)

THEME

Renewable/Clean Energy

COMPANY DESCRIPTION

Meridian Energy is New Zealand's largest energy generator, operating 100% renewable assets, predominantly hydro but also wind farms and solar assets. Meridian is NZ's 4th largest electricity retailer and it also has generation assets in Australia and a small retail operation under the brand Powershop in Australia and the UK. In FY20 Meridian reported a Net Zero emissions footprint after offsets, including Scope 1, 2 & 3 emissions, and has committed to halving its operational emissions by 2030. Importantly, it is also working with its suppliers to reduce its supply chain emission footprint. It has also introduced certified renewable energy products and green finance frameworks. The company is a leader in renewable energy and is well positioned to allow NZ to lessen its reliance on thermal energy generation over time whilst also showing a willingness to invest in greenfield and brownfield renewable generation in Australia.

ENGAGEMENT POINTS

Emissions reduction roadmap, water management, biodiversity, modern slavery management.

KEY INVESTMENT RISKS

The reliance on Hydro assets in New Zealand and an extended dry event in the South Island of NZ.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Mirvac Group (ASX: MGR)

THEME

Green buildings/housing

COMPANY DESCRIPTION

Mirvac is Australia's most sustainable, diversified property development group. Its dual purpose "Reimagine Urban Life" and "Planet Positive" permeates throughout the lifecycle of the group's developments. It has a target to be net positive carbon by 2030 and has made significant progress towards this goal over the last 12 months. It has also developed a Social Return on Investment framework to quantify social value created in its residential projects. These achievements have had the effect of a positive impact on the community but also assists it in winning major tenders and hence assist in the direct profitability of the Group. Mirvac is also focussed on addressing SDG 11 (sustainable cities). Mirvac is also a leader in its circular economy initiatives and has committed to Zero waste to landfill by 2030. It has piloted an industry first apartment made from waste materials and partnered with UNSW on research and development of green ceramics. Mirvac is also a leader in its diversity initiatives and in its stretch Reconciliation Action Plans.

ENGAGEMENT POINTS

The development of shorter term targets to be achieved as a part of its longer term net positive carbon target. Green building innovations and collaborations on the decreased footprint of the construction sector. Modern slavery and supply chain management, including Cleaning Accountability Framework initiative.

KEY INVESTMENT RISKS

The underlying health of the Australian residential and office markets and the revival of Australia's CBDs.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Medibank (ASX: MPL)

THEME

Health & Wellbeing

COMPANY DESCRIPTION

Medibank serves almost four million customer through the provision of health insurance and wellness services. The company's customers utilised 1.3 million hospital admissions, 23 million extra services and had over 500 thousand surgical procedures in FY20. Medibank employs around 1,300 medical professional directly and is one of Australia's largest purchasers of health services. The provision of more personalised health services and Medibank's commitment to improving member's health and proactive risk factor management is a major strategic direction and could assist in the prevention of health issues and in addressing SDG 3 (good health and wellbeing) and assist in keeping health insurance premiums lower, thus improving access to health care services.

ENGAGEMENT POINTS

Security of client data involved in the prediction and management of health interventions for clients, collaborations on ethical sourcing of indirect supply chain through hospital providers.

KEY INVESTMENT RISKS

Annual Governmental regulatory pricing reviews that control health premium growth.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Macquarie Group Ltd (ASX: MQG)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

MQG provides diversified financial services in Australia and globally. The company operates in four segments: Macquarie Asset Management (MAM), Banking and Financial Services (BFS), Commodities and Global Markets (CGM), and Macquarie Capital (MacCap). The Green Investment Group (GIG) is a significant part of MacCap and is one of the largest diversified developers of renewable energy globally. It has a long term pipeline of 30 GW of renewable energy mainly in the areas of solar and wind. Macquarie has set a target of Net Zero Emissions by 2050 in its financing activities, Net Zero in its operations by 2025 and Net Zero in its asset management business by 2040. It has invested \$63 bn in green energy since 2010 and is increasing its investments in climate mitigation and adaption solutions. It has also reduced its exposures to coal and aims to exit by 2024.

ENGAGEMENT POINTS

Increased investment in climate solutions, MQG's involvement with companies that generate non-renewable energy and its trading businesses. Governance and processes concerning the sale of businesses via IPO or trade sale.

KEY INVESTMENT RISKS

Overall global market volatility and regulatory change.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



National Australia Bank (ASX: NAB)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

National Australia Bank is one of the four major banks in Australia and has around 9 million customers, with a focus on Small and Medium Enterprise lending. The company is a major lender, deposit holder, payments facilitator and tax payer in the Australian economy. During the Financial Services Royal Commission the bank's Chairman and CEO resigned. Subsequently there has been considerable cultural change within the bank. Notwithstanding the change in management, cultural and investment in systems and processes, recent news of a formal AUSTRAC Enforcement Investigation highlights that risks remain. National Australia Bank has committed \$70 bn to environmental financing by 2025, and has already provided \$10.2bn in renewable energy transactions. NAB is also the first Australian bank to sign the Natural Capital Declaration and has established a Natural Capital Strategy, focussing initially on integrating natural capital considerations in products and services for agribusiness. It has committed to Net Zero emissions by 2050 and has targeted zero thermal coal exposure by 2030. It has also committed to working with its 100 largest emitting customers to develop transition planning by 2023. NAB has also assisted over 26,000 customers with financial hardship support through COVID, provided grants for impacted communities through its disaster relief fund, offer family violence support programs, and provide inclusive banking and support to vulnerable customers through its customer vulnerability frameworks and small loans, financial education and microfinance in conjunction with Good Shepherd.

ENGAGEMENT POINTS

Accelerating reduction of fossil fuel exposures and emissions reduction targets. Responsible financial products, ethical sourcing program. Trust and regulation. Biodiversity and deforestation.

KEY INVESTMENT RISKS

Australia's broader economic outlook for consumers and business. Ongoing responsible banking practices.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



NIB Holdings (ASX: NHF)

THEME

Health & Wellbeing

COMPANY DESCRIPTION

NIB serves almost 1.6 million customers through the provision of health insurance and wellness services. The company's customers utilise approximately 300,000 hospital admissions, 3.8 million extra services and over 280 thousand surgical procedures per annum. NIB also facilitates health services for New Zealand residents and international students in Australia. The provision of more personalised health services is a major strategic direction and could assist with prevention of health issues, thus addressing SDG 3 (good health and wellbeing) and health equality by decreasing premium growth and providing better access to health care. The company has already enrolled over 10,000 members into preventative health management programs, and is actively working to improve chronic disease management and the proactive identification of risk factors to enable better health promotion activities for members.

ENGAGEMENT POINTS

Security of client data involved in the prediction and management of health interventions for clients, ethical sourcing of indirect supply chain through hospital providers.

KEY INVESTMENT RISKS

Annual Governmental regulatory pricing reviews that control health premium growth.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



OZ Minerals (ASX: OZL)

THEME

Responsible raw materials

COMPANY DESCRIPTION

OZ Minerals is a copper focussed mining company with two major producing assets at Prominent Hill (Copper/Gold) and Carrapateena (Copper), both located in South Australia. Copper is forecast to be in net deficit as we move through this decade and copper mines located in Tier 1 geographies with good growth profiles are very rare. As a critical transition metal, Copper will play an important role in decarbonisation and clean energy technologies. Oz Minerals has a Net Zero by 2030 target for its operations, and is implementing good programs in water management, recycling and land rehabilitation.

ENGAGEMENT POINTS

Indigenous rights and cultural heritage policies, decarbonisation planning, biodiversity, Modern slavery and supply chain management.

KEY INVESTMENT RISKS

Global growth rates, the price of copper and company production levels.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



PSC Insurance (ASX: PSI)

THEME

Responsible services

COMPANY DESCRIPTION

PSC Insurance is an insurance broker which earns commissions and fees for the sale of insurance products mainly to SME clients. The business does not take underwriting risk itself. As a professional services provider the company's impact on the environment is minimal and is mainly from business travel and electricity consumption. The business is aware it needs to improve its reporting on and attention to its ESG footprint. The business has good management and governance practices and a receptive and open mindset to our engagements on better addressing its impact.

ENGAGEMENT POINTS

Increased disclosure and reporting on sustainability, increased attention to ESG footprint and initiatives, Modern slavery and supply chain and operational emissions reductions.

KEY INVESTMENT RISKS

Level of insurance premiums and health of SME businesses.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Platinum Asset Management (ASX: PTM)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

Platinum is a global fund manager with more than \$20bn funds under management. PTM state's that its investment process takes into account ESG considerations through excluding certain industries like tobacco and weapons from its investment universe and through avenues such as engagement and proxy voting. Platinum has also stated a commitment to being a responsible money manager in line with SDG 8, and has advocated for reforms in the asset management and financial advice sector. Platinum has also offset its operational carbon emissions since inception.

ENGAGEMENT POINTS

Increased Integration of ESG into investment processes, emissions reduction targets on portfolios, increased ESG product range.

KEY INVESTMENT RISKS

Investment performance, level of equity markets and retention of key staff.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Qantas Airways Ltd (ASX: QAN)

THEME

Essential infrastructure

COMPANY DESCRIPTION

Qantas is involved in the transportation of passengers and freight and has two main brands, Qantas and Jetstar, operating regional, domestic and international services. The company also runs a highly popular frequent flyer program. Qantas Domestic is Australia's largest, premium full service airline and Jetstar is Australia's leading low cost carrier. Qantas has a Net Zero by 2050 target, the second airline in the world to set this target. Qantas has a very strong commitment to addressing its emissions footprint, and whilst operating in a difficult to decarbonise sector. It has been diligent in implementing initiatives to improve fuel efficiency and decrease emissions, including aircraft design, GPS technology to maximise operational efficiency, more fuel efficient fleets and facilitating a sustainable aviation fuel industry and partnerships in Australia. It is also involved with collaborations and advocacy for researching and bringing to scale commercially viable alternative technologies to assist in decarbonisation. It has committed to targets on waste and water, including inflight recycling, working with suppliers to decrease packaging footprints and Qantas also has the largest airline voluntary carbon offset programme in the world.

ENGAGEMENT POINTS

Key milestones on the path to Net Zero by 2050, new aircraft technologies which reduce fuel use, modern slavery risks and the important role it plays in border protection.

KEY INVESTMENT RISKS

Border restrictions impacting level of travel demand, ticket prices, price of fuel

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



SCA Property Group (ASX: SCP)

THEME

Green buildings/housing

COMPANY DESCRIPTION

SCA Property Group owns community-oriented shopping centres predominantly anchored by retailers that focus on everyday non-discretionary grocery needs. Its management team has a strong track record of sensible and conservative stewardship over its assets and the trust's balance sheet. It has achieved impressive reductions in greenhouse gas emissions and electricity usage across its centres and has well exceeded its current targets. It is currently deploying solar generation across more of its centres, upgrading its HVAC systems and is progressing towards its targets on recycling and waste initiatives. It continuously reviews its sustainability policies and we expect further progress and advancement over the next 12 months from the company.

ENGAGEMENT POINTS

The development of specific targets for the diversion of waste to landfill, the development of new carbon reduction targets for FY22, clarity around the management of modern slavery risks in its supply chain, including the Cleaning Accountability Framework.

KEY INVESTMENT RISKS

Underlying rent collection from smaller tenants and from a macro perspective the movement over time of the Australian risk free rate.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Service Stream Ltd (ASX: SSM)

THEME

Essential infrastructure

COMPANY DESCRIPTION

Service Stream specialises in the design, construction and maintenance of social and critical infrastructure assets in Australia. Traditionally a telco-oriented company largely responsible for installing and servicing the NBN and fixed line services, SSM's strategy is now more utilities oriented with a particular focus on water and electricity. SSM designs and constructs water and waste water infrastructure and provides metering services to a range of state based utilities. This includes the identification, rectification and prevention of water leaks, which helps to protect water supplies and address SDG 6 (water). SSM also installs, manages, audits and maintains solar and wind installations to retail and commercial customers with a focus on small scale lower risk installations rather than high risk large scale projects. Service Stream is also working on addressing its own operational footprint through emissions reductions programs, recycling programs, fleet management and installing renewable energy sources.

ENGAGEMENT POINTS

Measured and sustainable growth in renewables and water services management.

KEY INVESTMENT RISKS

The transition of NBN contracts, the supply of component parts from offshore markets essential for maintenance projects and COVID-related travel restrictions.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



TPG Telecom (ASX: TPG)

THEME

Essential infrastructure

COMPANY DESCRIPTION

TPG is a major Australian telecommunications services business providing broadband and mobile services. TPG launched Felix in 2020, Australia's first mobile service to be fully powered by renewable energy. The company introduced a comprehensive program for customer support during COVID-19 which included hardship support, family connectivity, no service shutdown periods and has a support program for victims of domestic violence. TPG has committed to power its entire Australian operation with renewables by 2025, and additionally its rollout of 5G will enable technological advances to avoid emissions. It is working on reducing its packaging impact and is very committed to its mobile recycling programs, is focussing on digital safety initiatives, has improved its gender board balance, and is committed to its partnership programs with First Nation communities to encourage and support STEM opportunities for young Indigenous women.

ENGAGEMENT POINTS

Carbon emission reduction targets, further disclosure and analysis of supply chain and ethical sourcing, integration of UN SDGs into the business, waste and recycling.

KEY INVESTMENT RISKS

Delivery of Vodafone/TPG merger synergies, migration of customers to company owned networks.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



United Malt Group (ASX: UMG)

THEME

Sustainable Agriculture/Food Security

COMPANY DESCRIPTION

United Malt Group the 4th largest maltster globally with operations in Canada, USA, Australia and the UK. The company has a high quality set of assets and access to growth markets. The company is steadily increasing its Sustainability focus in its first year of listing following a de-merger from Graincorp in 2020. As a key player in the agricultural supply chain, we believe that United Malt can has a large impact on encouraging more sustainable and regenerative agricultural practices, working with its suppliers on certified grains and decreasing its emissions footprints and biodiversity impacts. As such, UMG has been working with its farmers and several research institutions to plant/develop newer barley varieties that are more climate resilient, require less water and are higher yielding which decreases the amount of land required. It is also committed to addressing its Scope 3 emissions by improving its transport and storage placement. UMG is working on decreasing its own operational emissions footprint introducing energy efficiency measures and improved water management practices.

ENGAGEMENT POINTS

Encouraging sustainable supplier land care through supplier base, carbon emissions reduction targets and disclosure of transition planning, waste, water and Modern Slavery management.

KEY INVESTMENT RISKS

Re-opening of economies and large events, particularly in North America.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



Westpac Bank (ASX: WBC)

THEME

Inclusive/Essential Financial Services

COMPANY DESCRIPTION

Westpac is one of the four major banks in Australia and has over 14 million customers. Post the Financial Services Royal Commission the bank has worked to remediate customers and change remuneration practices. Westpac has addressed its 2019 Austrac scandal with both a change of Chairman and CEO and a thorough overhaul of its child protection policies in its Safer Children, Safer Communities program. This includes working with well-regarded NGO's and human rights experts, improving due diligence, technology and screening practices, reporting channels and board attention to human rights issues and undertaking direct remediation activities. Westpac has announced substantial emissions reductions for its own operations and committed to \$25 bn of sustainable lending by 2030. Renewables now represent over 75% of its lending to the electricity sector, and WBC has committed to providing \$3.5 bn to climate change solutions in the next 3 years. It has also committed to zero thermal coal exposure by 2030 and to a program of working with its most emissions intensive customers to develop transition strategies and portfolio targets. It is also working with customers to develop climate resilience, providing natural disaster recovery grants and has developed a range of green bond and sustainability linked loans. It also supports vulnerable customers with its financial hardship, domestic and family violence and financial abuse programs. It is committing to address access to affordable housing through social impact lending, providing specialist banking services for social sector clients and has specific programs to support microfinance and women market opportunities.

ENGAGEMENT POINTS

Accelerated Fossil Fuel exposure reduction and emissions targets, responsible financial products and lifting financial crime monitoring standards. Ethical sourcing and supply chain segmentation and disclosure. Human rights due diligence, trust and regulation and children's rights, Biodiversity and deforestation.

KEY INVESTMENT RISKS

Australia's broader economic outlook for consumers and business. Ongoing responsible banking practices.

KEY SUSTAINABLE DEVELOPMENT GOALS (SDG)



ABOUT ETHICAL PARTNERS

Ethical Partners Funds Management is an independent, boutique Australian fund manager that is fully owned by its staff. It has a dual focus on performance and investing ethically. Its investment approach directly manages risk for its clients, provides the ability to invest in line with clients' values and actively advocates for change. Funds under management are over \$2bn. www.ethicalpartners.com.au

NOTE:

The companies mentioned in this report are generally representative of the companies held by the Ethical Partners Australian Share Fund as at May, 2021. There may be a variation to the actual companies held due to timing issues related to publication deadlines. References to companies in this report should not be construed as investment advice or a recommendation to buy these securities. Holdings are subject to change.

Ethical Partners Management Services ACN 623 503 720 (EPMS) as Corporate Authorised Representative of Ethical Partners Funds Management Pty Ltd (EPFM) ACN 623 475 454; AFSL 504749 is the author of this newsletter and Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) (EQT) is the issuer and responsible entity of the Ethical Partners Australian Share Fund (Australian Share Fund). Access to this newsletter and the information on it is intended only for people or entities that are Wholesale investors or Sophisticated investors (as set out in the following paragraph). The information provided on this newsletter is general information only. The information has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. You are responsible for all of your activity in connection with accessing the newsletter.

The Zenith Investment Partners (ABN 27 103132 672, AFS Licence 226872) ("Zenith") rating (assigned May 2020) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of its own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>. The information contained in the Ethical Partners Good Investing Podcast is for general informational purposes only and does not constitute investment or financial advice. You should seek tailored advice specific to your circumstances before making any investment decisions.