



# CLIMATE TRANSPARENCY REPORT 2019

Australian Ethical Investment Ltd.

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here ([https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-CD3E9DCD-9898-4487-998A-0492992DD126/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-CD3E9DCD-9898-4487-998A-0492992DD126/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/)). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

## TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	-	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

## MAIN CHARACTERISTICS

<b>Name</b>	Australian Ethical Investment Ltd.
<b>Signatory Category</b>	Fund Management - Majority
<b>Signatory Type</b>	Investment Manager
<b>Size</b>	US\$ 1 - 4.99 billion AUM
<b>Main Asset Class</b>	>50% Listed Equity Internally Managed
<b>Signed PRI Initiative</b>	2006
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	100% from 38 Voluntary indicators

# Australian Ethical Investment Ltd.

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input checked="" type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Engagement policy <input type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

We invest in companies aligned with our public Ethical Charter ([www.australianethical.com.au/australian-ethical-charter](http://www.australianethical.com.au/australian-ethical-charter)). The 23 Charter principles guide us to investments which support people, animals and the environment (positive screening) and which do not cause them unnecessary harm (negative screening).

The consistent, rigorous application of our Charter principles defines a sustainable investment universe which we believe produces good outcomes for both the planet and the financial interests of our clients.

Our Ethical Charter requires us to assess the impacts on people, animals and the environment of a company's products and services (including impacts from the way those products and services are produced, supplied, consumed and disposed of). This process draws on data and analysis from company, industry, government, responsible investment, scientific and civil society sources. This broad and deep research of short and long term social and environmental impacts of companies and sectors builds a more complete understanding of the prospects and risks of the companies and sectors in our universe. As well as defining a sustainable investment universe, this enables more impactful engagement with companies. For our 'active-fundamental' equities portfolios, this research also contributes to the way that ESG considerations are integrated into our financial evaluation or portfolio weighting of companies.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

**Positive and negative investment screening**

Australian Ethical will only invest where making the investment is assessed to be aligned with our Ethical Charter. The 23 Charter principles guide us to investments which support people, animals and the environment (positive screening) and which do not cause them unnecessary harm (negative screening). This requires us to assess the positive and negative impacts on people, animals and the environment of a company's products and services (including impacts from the way those products and services are produced, supplied, consumed and disposed of).

**Investment management**

Within Australian Ethical's screened universe of investments, our assessment of investment opportunity and risk and our decisions to buy and sell individual investments and to otherwise manage our investment portfolios is informed by our ethical assessment of companies and industry sectors (including their positive and negative impacts on people, animals and the environment).

**Company engagement and advocacy**

Australian Ethical influences better management by companies of their impacts on people, animals and the environment i.e. to increase positive and reduce negative impacts. This may include influencing through private engagement, voting, public praise or criticism, shareholder resolutions and divestment.

**Investment industry influence**



Australian Ethical pursues opportunities to increase the capacity and motivation of other investors to also act to advance the interests of people, animals and the environment. This includes exercising influence as member, office holder and working group participant of industry associations and initiatives, as well as independent advocacy for responsible investment.

**Public policy advocacy**

Australian Ethical uses its investor influence to promote government policies and public attitudes which advance the interests of people, animals and the environment. This includes submissions for government policy consultations and the exercise of a responsible public investment voice on important issues.

**Measurement and transparency**

Australian Ethical pursues opportunities to measure and report on the impact of its action to further the aims of the Ethical Charter. This is important as a tool both for increasing impact and for demonstrating impact to Australian Ethical members and other clients and stakeholders. Australian Ethical reports in accordance with standards and guidelines of the Global Reporting Initiative (GRI), and current channels for impact reporting include annual Australian Ethical group sustainability reporting, member communications, social media, Good Money magazine and the Australian Ethical website.

**Impact priorities**

Australian Ethical regularly reviews its priority actions in the above areas, taking into account current social, animal and environmental needs and opportunities for us to make the biggest difference.

**Collaboration**

In the above areas Australian Ethical acts both independently and collaboratively with other investors as well as with non-investment companies and groups. We are an active participant in a number of investor organisations including the UN Principles for Responsible Investment, Responsible Investment Association of Australasia, Investor Group on Climate Change, Portfolio Decarbonisation Coalition, Financial Services Council and Association of Superannuation Funds of Australia Limited.

**External investment services**

Australian Ethical only uses external investment services where the provision of those services is assessed to be aligned with the Ethical Charter. For example, we may appoint an external investment manager for some investments where we are satisfied that those investments will be managed in accordance with the Ethical Charter, having regard to the investment mandate and external manager's capabilities.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
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SG 01.6 CC	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.
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The prospects and value of the businesses and assets we invest in are exposed to risks and opportunities arising from the many effects of climate change, including from:

- the diverse physical impacts of temperature increase such as increases in sea level and extreme weather)
- secondary effects of these physical impacts including technological, agricultural and supply chain disruption
- changing government energy and climate policies such as tougher emissions standards and carbon pricing
- changes in customer demand due to their evolving expectations for climate action by business
- social, political and economic disorder from climate harm suffered by people (including their displacement) and from the increased inequality arising from differences in the amount of harm suffered by different groups and countries
- the disrupting effect of potential and actual conflict between countries.

Our Ethical Charter ([www.australianethical.com.au/australian-ethical-charter](http://www.australianethical.com.au/australian-ethical-charter)) guides us to invest in sectors and companies which are aligning their businesses with the urgent transition needed to limit global warming to well below 2 degrees. This means that as well as supporting a lower warming outcome, these sectors and companies are better able to manage some climate-related risks than non-aligned sectors and companies. However, the effects of climate change will be felt across the economy and society. The effects of global warming may also systemically disrupt trade and financial and investment markets, both locally and globally. This brings significant risk of volatility and loss to all investment portfolios.

<b>SG 01.7</b> <b>CC</b>	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

<b>SG 01.8</b> <b>CC</b>	Indicate the associated timescales linked to these risks and opportunities.
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**Short term 0-3 years**

Nearer term physical impacts of temperature increase such as more extreme weather and fires, and flow-on effects on climate sensitive sectors such as agriculture.

Changes in customer demand due to evolving expectations for climate action by business.

Changing government energy and climate policies and regulation such as tougher emissions standards and carbon pricing.

**Medium term 3-10 years**

In addition to the above:

Progressive physical impacts of temperature increase such as increases in sea level, and consequential technological, supply chain and other business and social disruption, including impacts on human health and well-being.

Growing pressure on threatened species.

Disruption of global trade from international disagreements about climate action and inaction. And from changing patterns of production and demand and growth.

**Long term 10-100+ years**

In addition to the above:

Social, political and economic disorder from climate harm suffered by people (including their displacement) and from increased inequality because different groups and countries suffer more harm than others.

Disrupting effect of potential and actual conflict between countries.

No

<b>SG 01.9</b> <b>CC</b>	Indicate whether the organisation publicly supports the TCFD?
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Yes

No

<b>SG 01.10</b> <b>CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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Yes

Describe
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Our Ethical Charter applies to all our investment strategies. It guides us to invest in a way which minimises dangerous climate change, including to invest in sectors and companies which are aligning their businesses with the urgent transition needed to limit warming to 1.5 degrees. Key features of our approach which are relevant to climate risk and opportunity include:

Negative screening

We don't invest in fossil fuel companies or other companies assessed to be obstructing the action needed to limit warming in accordance with the Paris Climate Agreement. When we invest in the energy sector we require a positive contribution to the transition to a renewable energy system, and any fossil fuel revenue of a company must be below our thresholds (5% to 33%).

#### Positive screening

We invest in companies producing renewable energy and increasing energy efficiency, and otherwise supporting the urgent economic transition needed to limit warming to 1.5 degrees.

#### Investment management

Our assessment of investment opportunity and risk and our decisions to buy and sell individual investments and to otherwise manage our investment portfolios is informed by our ethical assessment of the climate impacts of companies and industry sectors - including impacts from the way products and services are produced, supplied, consumed and disposed of.

#### Targets

We have a zero emissions target for our investment portfolio, by 2050. This target date has been set in line with the recommendations of the Australian Climate Change Authority, but we will continue to work to move more quickly.

#### Influencing companies

We engage with companies to influence alignment of their businesses with the urgent transition needed to limit warming in line with the Paris Climate Agreement. This includes better management of the climate impacts of the way the company's products and services are produced, supplied, consumed and disposed of. We encourage, for example, better measurement and reporting of direct and indirect greenhouse gas emissions; emissions reduction target setting; and analysis of the resilience of the company's business strategy to different climate scenarios. Through our influence we aim to reduce companies' contribution to global warming as well as reducing climate-related harm to their business prospects.

We exercise positive influence on companies through private engagement, voting, public praise or criticism, shareholder resolutions and divestment.

#### Investment industry influence

We encourage other investors to use their influence to support the net zero emissions transition. We do this by sharing our experience of the opportunities and challenges presented by responsible investor climate action.

#### Public policy advocacy

Through policy submissions, consultation with government and our public voice we encourage more effective climate policy, including in relation to energy and other industry policy, carbon pricing and corporate climate disclosure.

#### Measurement and transparency

We measure and report our climate performance, including the emissions intensity of our share investments (carbon footprinting); the alignment of investments in the power and auto sector with the changes in power generation and car production needed to transition to net zero emissions; the emissions avoided by our investment in selected renewable and energy efficiency companies.

No

<b>SG 1.12 CC</b>	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

<b>SG 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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**New selection options have been added to this indicator. Please review your prefilled responses**

carefully.

**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

URL

{hyperlink:<https://www.australianethical.com.au/australian-ethical-charter/>}

Attachment (will be made public)

Formalised guidelines on environmental factors

URL/Attachment

URL

URL

{hyperlink:[https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\\_Ethical-Investment-ESG-Policy\\_Final\\_28-June-2018.pdf](https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group_Ethical-Investment-ESG-Policy_Final_28-June-2018.pdf)}

Attachment (will be made public)

Formalised guidelines on social factors

URL/Attachment

URL

URL

{hyperlink:[https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\\_Ethical-Investment-ESG-Policy\\_Final\\_28-June-2018.pdf](https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group_Ethical-Investment-ESG-Policy_Final_28-June-2018.pdf)}

Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment

URL

URL

{hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\_Ethical-Investment-ESG-Policy\_Final\_28-June-2018.pdf}

- Attachment (will be made public)
- Fiduciary (or equivalent) duties
- Asset class-specific RI guidelines
- Sector specific RI guidelines

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/super/our-position-on-topical-issues/}

- Attachment (will be made public)
- Screening / exclusions policy

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/}

- Attachment (will be made public)
- We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\_Ethical-Investment-ESG-Policy\_Final\_28-June-2018.pdf}

- Attachment
- Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/super/our-position-on-topical-issues/}

- Attachment
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\_Ethical-Investment-ESG-Policy\_Final\_28-June-2018.pdf}

- Attachment
- ESG incorporation approaches

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\_Ethical-Investment-ESG-Policy\_Final\_28-June-2018.pdf}

- Attachment
- Active ownership approaches

URL/Attachment

- URL

URL

{hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Group\_Ethical-Investment-ESG-Policy\_Final\_28-June-2018.pdf}

- Attachment
- Reporting
- Climate change

URL/Attachment

- URL

URL

{[hyperlink:https://www.australianethical.com.au/wp-content/uploads/2018/10/Sustainability-Report\\_2018-WEB\\_24102018.pdf](https://www.australianethical.com.au/wp-content/uploads/2018/10/Sustainability-Report_2018-WEB_24102018.pdf)}

Attachment

We do not publicly disclose any investment policy components

## Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or head of department

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6  
CC**

For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Implementation of our Ethical Charter in our investment activities is overseen by our Ethical Advisory Group (EAG), comprising our Managing Director, Chief Investment Officer (CIO) and Head of Ethics Research. The board of directors in turn has oversight of the activities of the EAG through quarterly reporting of the activity of the EAG. (Refer indicator SG 07.2 for further information.)

Implementation of our Ethical Charter requires detailed assessment of the impacts of climate change on people, animals and the environment, which in turn affects the way we invest including through negative and positive screening, engagement and advocacy, and climate performance measurement and reporting (refer indicators SG 01.6 CC to 1.10CC for further information).

The board monitors and contributes to the way we address climate related issues in the following ways:

1. The ethics reporting to the board includes details of the work of the EAG reviewing climate relevant sectors, issues and engagement and advocacy priorities. For example this has included the EAG's periodic review of our energy, banking and food sector frameworks and setting of our net zero emissions target. Where significant changes are under consideration, these are reported to the board ahead of finalisation of changes by the EAG. The board actively scrutinises these changes and board insights inform the work of the EAG. Finalised changes are also reported to the board.
2. Our annual company strategy process involves the board in strategy formulation, review and final approval. Our strategy development and review takes account of key issues affecting our business, investments and stakeholders, and climate change is consistently among the most important key issues considered.
3. The board reviews, provides input into and approves the company's annual reporting, which includes detailed reporting of the climate performance of our investment activities.

The ethics research team and EAG engages with climate experts including scientific and industry climate experts in implementing our Ethical Charter in a world facing dangerous climate change. Where appropriate we arrange joint briefings of board and management by climate experts.

**SG 07.7  
CC**

For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

Implementation of our Ethical Charter in our investment activities is overseen by our Ethical Advisory Group (EAG), comprising our Managing Director, Chief Investment Officer (CIO) and Head of Ethics Research. Implementation of our Ethical Charter requires detailed assessment of the impacts of climate change on people, animals and the environment, which in turn affects the way we invest including through negative and positive screening, engagement and advocacy, and climate performance measurement and reporting. (Refer indicators SSG 01.6 CC to 1.10CC for further information.) This work is performed by our ethics research team.

Some examples of climate related matters actively considered and approved by the EAG include:

4. Review of our screening approach for emissions intensive frameworks, including energy, property, transport and food frameworks.
5. Review of our screening approach for sectors which are key facilitators of action which may mitigate or exacerbate climate change. For example, the EAG reviewed and approved our 2 degree climate alignment criteria applied to investment in the banking sector.
6. Setting of climate related engagement and advocacy priorities.
7. Review of development of climate performance metrics and targets for our investments and engagement and advocacy.

Our ethics research team monitors existing and emerging ethical risks (including climate-related risks) using diverse company, industry, government, responsible investment, scientific, civil society and news sources. The team assesses whether these developments require review of our existing ethical assessments of companies and industry sectors, including our company engagement priorities. The work of the ethics research team is overseen by the EAG and in turn the Board. Our carbon footprinting and below 2 degree alignment checks help us test the effectiveness of our management of climate risk.



<b>SG 07.8 CC</b>	Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.
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- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

## ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

	Describe
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We used analytic tools from the European 2° Investing Initiative (2ii) to assess whether our share investment in power generation is aligned with the massive shift to renewables that is needed to limit warming to 2 degrees.

- No, not to assess future ESG/climate-related issues

<b>SG 13.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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	We do the following
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- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

<b>SG 13 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 13.4 CC</b>	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.
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- Initial assessment

Describe
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We used analytic tools from the European 2° Investing Initiative (2ii) to assess whether our share investment in power generation is aligned with the massive shift to renewables that is needed to limit warming to 2 degrees. Our analysis showed that (1) Our share investment in renewable power generation is proportionately about six times that of the global sharemarket; and (2) The growth in renewable power generation capacity, represented by our current share investments and projected over the next five years, is aligned with what is required to limit warming to below 2 degrees (under the SDS and B2DS scenarios discussed below). The 2ii tools look at the current power generation capacity of companies as well as their projected new capacity over the next five years. We applied the 2ii tools to our shareholdings at the end of 2017. We assessed the projected increase in renewable power generation (including solar, wind and hydro) over the next five years against the International Energy Agency Sustainable Development Scenario (SDS) and Beyond 2 degrees Scenario (B2DS). The SDS is a scenario of transformation of the global energy system to limit global warming to well below 2 degrees; to provide universal access to modern energy by 2030; and to dramatically reduce premature deaths from air pollution. The B2DS is a more aggressive energy emissions reduction scenario, with the energy sector reaching carbon neutrality by 2060 to limit future temperature increases to 1.75°C by 2100.

This analysis helps us to test whether our Ethical Charter and energy sector framework is effective to direct investment to companies aligned to the transition to net zero emissions in accordance with the Paris Agreement.

We do not model the impact of different emissions and temperature increase scenarios on the value of our investment portfolios. Our ethical investment approach recognises the power which investors have to help positively shape the future. If investors only choose companies with strategies aligned to a 1.5-degree future, then investors will proactively help to bring about a world which effectively limits warming. By shifting capital from fossil fuels to renewables, investors help to bring down the price of renewable energy, they encourage investment in more flexible electricity grids and energy storage, and they contribute constructively to a sensible public discussion about energy policy. These investors, particularly universal investors like super funds, are also acting in the financial interests of their clients because we believe that risk-adjusted returns will be better in a low-warming world than a high-warming one.

- Incorporation into investment analysis
- Inform active ownership

Describe
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Our analysis using climate scenarios informs our active ownership by providing insight into (1) renewable energy investment plans of the companies we invest in, which informs our engagement with them; and (2) transition pathways for the broader energy sector, which informs our public advocacy and our engagement with companies which are screened out by our Ethical Charter.

- Other

SG 13.5 CC
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Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6  
CC**

Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.

Yes

Describe

In applying our Ethical Charter we evaluate climate change impacts, risks and opportunities for people, animals and the environment, independently of our financial investment analysis.

No

**SG 13.7  
CC**

Indicate whether a range of climate scenarios is used.

- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

**SG 13.8  
CC**

Indicate the climate scenarios the organisation uses.

Provider	Scenario used
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input type="checkbox"/> New Policy Scenario (NPS)
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	820	000	000
Currency	AUD				
Assets in USD		2	079	742	318

Specify the framework or taxonomy used.

Our Ethical Charter (<https://www.australianethical.com.au/australian-ethical-charter/>) requires us to assess short, medium and long term impacts on people, animals and the environment. This guides us to invest in a way which minimises dangerous climate change:

Negative screening: We don't invest in fossil fuel companies or other companies assessed to be obstructing the action needed to limit warming to well below 2 degrees. When we invest in the energy sector, for example, we require a positive contribution to the transition to a renewable energy system, and any fossil fuel revenue of a company must be below our thresholds (5% to 33%). In the banking sector, we exclude banks if they are not aligning their lending activities with the transition needed to limit warming in accordance with the Paris Agreement.

Positive screening: We invest in companies producing renewable energy and increasing energy efficiency, and otherwise supporting the urgent economic transition needed to limit warming in line with the Paris Agreement. These include investment in wind, solar, hydro and geothermal energy, battery storage, LED lighting, insulation, sustainable buildings and clean energy technology start-ups (through the Artesian Clean Energy Seed Fund).

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

**SG 14.4**

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

We use:

- Trucost portfolio and company footprinting of our equities investments, covering scope 1 and some scope 2 emissions
- MSCI ESG Research carbon emissions performance metrics and analysis
- 2 Degree Investing Initiative online analytic tools
- Company CDP disclosures and companies' other climate and carbon reporting.

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC**

Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Climate-related targets</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	Zero emissions target (tCO <sub>2</sub> e)	Scope 1, 2 and 3 emissions, apportioned to prevent double counting.
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	tCO <sub>2</sub> e/AU\$ revenue or sales	GHG Protocol; Trucost assessment of direct emissions and first tier indirect emissions (‘supply chain impacts’); MSCI ESG platform carbon emissions performance metrics (scopes 1, 2 and some 3).
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	tCO <sub>2</sub> e/AU\$ revenue	GHG Protocol; Trucost assessment of direct emissions and first tier indirect emissions (‘supply chain impacts’).
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	tCO <sub>2</sub> e	GHG Protocol; Trucost assessment of direct emissions and first tier indirect emissions (‘supply chain impacts’); MSCI ESG platform carbon emissions performance metrics (scopes 1, 2 and some 3).
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	tCO <sub>2</sub> e/AU\$ mn revenue; tCO <sub>2</sub> e/MWh	GHG Protocol; Trucost assessment of direct emissions and first tier indirect emissions (‘supply chain impacts’); MSCI ESG platform carbon emissions performance metrics (scopes 1, 2 and some 3).
<b>Exposure to carbon-related assets</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Help assess alignment with Paris Agreement transition.	\$ revenue	Screen out companies with fossil fuel related revenue or reserves exceeding applicable thresholds (e.g. fossil fuel mining, power generation and transport).
<b>Other emissions metrics</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			

SG 14.7  
CC

Describe in further detail the key targets.

Targettype	Time Frame	Description	Attachments
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	By 2050	Absolute zero portfolio emissions target (t CO2e scope 1, 2 and 3 emissions, apportioned to prevent double counting). Carbon intensity (tCO2e/AU\$ mn revenue) metric used to assess and promote progress to target.	
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			

**SG 14.8 CC** Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

- Process for climate-related risks is integrated into overall risk management
- Process for climate-related risks is not integrated into our overall risk management

Please describe

We identify, assess and manage material climate-related risks through the processes described in SG 01.10 CC, 07.6 CC, 07.7 CC, 13.4 CC and 14.6 CC. For example, our investment screening and company engagement guides us to sectors and companies which are aligning their businesses with the transition needed to limit global warming to well below 2 degrees. Aligned companies are better positioned than non-aligned companies to manage many climate-related risks, such as the risk of introduction or increase in carbon pricing. However, the effects of climate change will be felt across the economy and society. Higher global warming threatens to disrupt trade and financial markets and carries significant risk of loss to all investment portfolios.

The work of our ethics research team monitors developments in:

- scientific understanding of the rate and impacts of global warming
- domestic and international climate policy and regulation
- technological innovation in climate mitigation and adaptation.

Developments in these areas are factored into ongoing review of our ethical screening frameworks for different industry sectors. Reviews consider direct and indirect emissions (scopes 1, 2 and 3) for the sector; susceptibility to the impacts of global warming; and facilitation of climate action and inaction. Climate risk is investigated in more detail for high risk/opportunity sectors, including energy, food, transport, real estate and banking. Banking is assessed to be high risk because of the huge shifts in capital needed for climate change mitigation and adaptation, and the risks of climate harm from bank lending which is not aligned with the 2 degree transition.



As an example of this process, our periodic ethical review of a carbon intensive sector like the energy sector takes into account changes in renewable energy and energy efficiency and storage technologies and their social and environmental impacts; changes in levels of atmospheric carbon; changes in scientific understanding of the pace, extent and impacts of global warming; changes in energy infrastructure such as the grid; and changes in energy market supply and demand. Consequential changes to our ethical framework for the energy sector and engagement and advocacy objectives are prepared by the ethics research team and reviewed and approved by the Ethical Advisory Group (EAG). These changes may include additional investment exclusions or inclusions (e.g. a change in our screening of biofuels), or a change in our engagement and advocacy objectives and priorities for companies in the sector or related sectors. The changes to our energy sector framework may then have flow on effects to other frameworks (e.g. to the way we assess the 2 degree alignment of banks' lending under our banking framework).

We use climate performance data from a variety of sources to assess the alignment of company businesses with a 2-degree transition, which in turn is a key component of our investment screening and engagement and advocacy.

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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Yes

	Please describe
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Support for climate shareholder resolutions seeking improved climate disclosure.

Participation in the Climate Action 100+.

Support for the CDP 2018 'Non-Discloser campaign'

No, we do not engage

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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Yes

No