



# Ethical Investment Policy

23 April 2019

## Preamble

U Ethical is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.

Our first funds were established in 1985 and over recent years we have grown steadily to become one of the largest ethical investment managers in Australia with over \$1 billion under management.

We are an autonomous social enterprise of the Uniting Church with an independent board. We have developed a reputation for our unwavering commitment to ethics-driven performance. Our ethical authenticity is central to who we are not just what we do.

We aim to provide our clients with competitive returns. And as a social enterprise, we grant the majority of our operating surplus to social justice advocacy and community programs.

We are one of only a few investment businesses in Australia to have been certified as a B Corporation, which verifies that we meet the highest standards of social and environmental performance, transparency and accountability.

From institutions to individuals, our clients partner with us because we adopt bold positions on important ethical matters. We do not shy away from holding companies to account on controversial issues.

It's what we call investing with purpose.

## Our Vision

To improve our world through the power of purposeful investing.

## Our Values

- Authenticity: we do the right thing, not the easy thing.
- Progress: we are open-minded, innovative and future-focused.
- Impact: we strive for better investments and a better world.

## Ethical Investment Process

U Ethical's investment process ensures that all investment decisions are in keeping with our vision and that they promote careful financial stewardship. This is achieved through the application of positive and negative screens, and engagement with companies—together with a focus on competitive economic returns and sustainability.

## Positive Screening

Our positive screen seeks out companies that promote human welfare and dignity or environmental sustainability. Examples include companies producing goods or services that enhance the health and welfare of individuals and communities as well as companies producing goods or services that protect our environment. We screen positively for sectors such as:

- Clean energy
- Sustainable agriculture
- Recycling and reuse
- Employment
- Community and education services
- Health care

## Negative Screening

Our negative screen evaluates a company's products, services and practices to ensure they are not detrimental to society or the environment. U Ethical avoids investing in companies that:

- cause unacceptable damage to the natural environment
- infringe on human rights
- support oppressive regimes
- cause or perpetuate injustice and suffering
- have unacceptable occupational health and safety practices including disregard for minimum wage laws.

Our screening approach means we systematically exclude companies with operations in the following areas due to their inherent negative impacts:

- Thermal coal
- Unconventional oil and gas extraction
- Uranium for non-medical uses
- Armaments
- Predatory lending
- Gambling
- Pornography and adult entertainment
- Animal cruelty
- Alcohol production
- Tobacco manufacturing

However, we recognise that there are occasions when companies inadvertently violate these principles and make genuine efforts to rectify this. Furthermore, we may choose not to exclude a company where a contravention of the principles constitutes less than 5% of the company's revenue or earnings. In such instances, the contravention may be outweighed by significantly positive factors.

## Neutral

The majority of our investments are deemed neutral by our positive and negative screens. Investment decisions are made on the basis of normal investment criteria including:

- ensuring prudent financial stewardship, and
- meeting our clients' income and capital investment objectives.

## Engagement and Advocacy

We acknowledge that ethical decisions are often complex and require careful consideration of both positive and negative factors. When our research uncovers companies involved in unacceptable activities or practices, our first preference is to initiate a process of direct engagement as a means of advocating for change consistent with community expectations and our values. When engagement doesn't deliver satisfactory outcomes, we exclude companies from our investable universe.

## Industry Representation

U Ethical participates as a socially responsible investor through membership of industry bodies including:

- Responsible Investment Association Australasia (RIAA)
  - RIAA's Human Rights Working Group
  - RIAA's Corporate Engagement Working Group
- United Nations Principles for Responsible Investment (UNPRI)
- Global Reporting Initiative (GRI)
- B Lab Australia & New Zealand
- Banking and Finance Oath Limited