

SUPERANNUATION VOTING TRANSPARENCY REPORT

1. Name of asset owner/ fund manager & fund name chosen to assist with queries below:

Australian Ethical Investment(AEI) and where relevant fund used is Australian Ethical Retail Superannuation Fund

2. Brief Description of Asset Owner:

Australian Ethical Investment is a listed specialist fund manager, Australian Ethical Superannuation is a wholly owned subsidiary of AEI and the super fund's RSE licensee.

3. Funds Under Management: \$2.6B as at 30th December, 2017

URL: <https://www.australianethical.com.au/wp-content/uploads/2018/01/20180125-AEF-FUM-Flows-Q2-FY18.pdf>.

4. Memberships

Association	Membership
UNPRI	Yes
FSC	Yes
RIAA	Yes
ACSI	No

5. Do they publicly disclose a clear policy on how ESG issues are incorporated in all of their equity investment activities (i.e not just for SRI funds?) and do they screen any particular industry?

Australian Ethical uses a charter which dictates its stance on all three ESG issues. By its charter, Australian Ethical avoids investments that 'pollute land, air or water' and/or 'discriminate by the way race, religion or sex in employment, marketing, or advertising practices' and supports investments that provide for the 'the development of workers' participation in the ownership and control of their work organisations and places. Australian Ethical also screens out investments such as coal, coal seam gas, oil, weapons, tobacco, native forest logging, exploitation, gambling, human rights abuse and harmful products. However, though Australian Ethical apparently does have formalised guidelines on how it applies each of the 3 ESG factors¹, these guidelines are not made publicly available. The charter makes Australian Ethical's attitude towards environmental, social and some governance² issues clear but it doesn't set out their attitude to some other common governance issues³.

URL: <https://www.australianethical.com.au/australian-ethical-charter/>

¹ See <https://www.australianethical.com.au/wp-content/uploads/2018/01/20180125-AEF-FUM-Flows-Q2-FY18.pdf>, item 1.2 and 2.1. At 2.1 it states only the Charter and proxy voting material is publicly available.

² For example, culture, employment discrimination and employee share ownership.

³ For example, executive pay, board composition and shareholder rights.

<https://www.australianethical.com.au/super/>

Score (2.5 out of 3)

**6. Do they publicly disclose their voting record for either or both their
ASX and international holdings?**

Both International and Domestic voting records are disclosed annually in one report. The record is disclosed with approximately 6 months lag in 2017. Records include company and proposal description. For the 2017 proxy voting record, rationales are given for votes against management recommendation and abstentions. Rationales are also provided for contentious issues, such as climate change, governance issues and social issues. However, for the 2016 record, no such rationales were provided.

URL: <https://www.australianethical.com.au/shareholders/corporate-governance/>

Score (5 out of 5)

7. DOMESTIC VOTING

January to June 2017 ASX						
	Theme of Proposal	For	Against	Abstain	Not Holding	Score
Oil Search	Climate Change item no.7				X	
	Human rights				X	
Santos	Amendment of Constitution item no.5a.	X				
	Climate Change item no.5b. (Strategic Resilience for 2035 and Beyond)	X				
URL: (Max score 4) Total						2

TO THE KNOWLEDGE OF ACCR, THIS INFORMATION
IS CORRECT AS AT: 18/04/2018

July to December 2015 ASX						
		For	Against	Abstain	Not Holding	Score
ANZ (Australia and New Zealand Bank)	Corporate governance resolution no.6a	X				1
	Climate change resolution no.6b	X				1
Origin Energy	Climate change resolution no.11				X	0
AGL Energy	Climate change resolution no.5 "change to constitution"				X	0
URL: (Max score 4) Total					2	

8. INTERNATIONAL VOTING

International 2017 Resolutions						
	Theme of Proposal	For	Against	Abstain	Not Holding	Score
The AES Corporation	Climate Change				X	
Ameren (item 6.)	Climate Change				X	
Dominion (item 8.)	Climate Change				X	
DTE (item 5.)	Climate Change				X	
Duke Energy Corporation (item 7.)	Climate Change				X	
FirstEnergy (item 10.)	Climate Change				X	
PNM	Climate Change				X	
PPL (item 6.)	Climate Change				X	
The Southern Company (item 6.)	Climate Change				X	
AT&T (item 5)	Political Expenditure				X	
Alphabet Inc (item 8)	Political Expenditure	X				1
Wells Fargo (item 5)	Consumer Rights (Retail Banking Sales Practices Report)				X	
UK Royal Dutch Shell (item 21)	Climate Change (GHG Reduction Targets)	X				1
UK Sports Direct (item 19)	Human Capital Management (2016)				X	
(Max score 14) Total					2	

9. LAGGING

DOMESTIC and INTERNATIONAL RECORDS			
	Yes	No	Score
Records available within 2 months of financial year end		X	0
Records available for current year to date, no more than two months ago available		X	0
June 2016 Records are available	X		2
(Max score 6) Total			2

10. Proxy Advisor used:

Proxy Advisor(s) are used, but which firm is not specified .

11. Since June 2015 has the Fund lead filed or co-filed any ESG related shareholder resolutions at ASX 100 listed companies?

Not to the knowledge of ACCR.

12. Prose:

Domestically Australian Ethical has had two chances in the period July 2015 to June 2017 to support Climate Change Based resolutions and has supported both as recorded in its Proxy Voting Summary for the time period 2015 – 2017. Similarly, AEI has had two chances to support shareholder rights governance related resolutions and has supported both. Consistent with its environmental and climate change screening considerations, the fund did not hold any shares in the majority of energy or petroleum companies , such as Oil Search and thus did not have any opportunities to support many of the resolutions related to climate change. AEI did however hold shares in UK Royal Dutch shell, but showed its support by voting for in the climate change based resolution.

A range of international shareholder resolutions have been recorded to indicate the international proxy voting history of Australian Ethical. Due to the scale of this international market, a few resolutions put to large companies concerning key issues such as climate change, human rights and political spending were chosen. These resolutions were chosen as reflective because they attracted reasonable support.

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Ten 2017 resolutions associated with climate change and the prevention of global warming were chosen, 1 of which the fund had the chance to vote on. AEI voted in support of this resolution. Two resolutions concerning political expenditure were chosen to help indicate the fund's stance on this issue. AEI voted in support of the one it had the chance to vote on. The fund did not have the chance to vote on any human rights or consumer rights resolutions.

Though AEI is a member of the FSC and its proxy voting policy notes its obligation to comply with FSC standard 13 in 2017 it does not appear to have released its proxy voting record within the required 3 months.

NOTES

July – December 2017 records are most likely to be available December 2018.