IMAP Best Practice Webinar – ESG Portfolios

Leah Willis – Australian Ethical Investments

Deanne Baker – Lonsec

David McDonald – IMAP

2022 IMAP MANAGED ACCOUNT AWARDS

IMAP
MANAGED ACCOUNT AWARD WINNER
ESG PORTFOLIO

IMAP
Institute of Managed Account Professionals

Upcoming events

18th October Independent Thought Melbourne – How Portfolios Managers are approaching key investment issues

Week beginning 14th November – InvestTech

Portfolio Management Conferences – March 2023

Independent Thought – Roundtables and Podcasts

How to ask a Question

Australian
Ethical

IMAP- Best practice ESG

Leah Willis, Head of Client Relationships

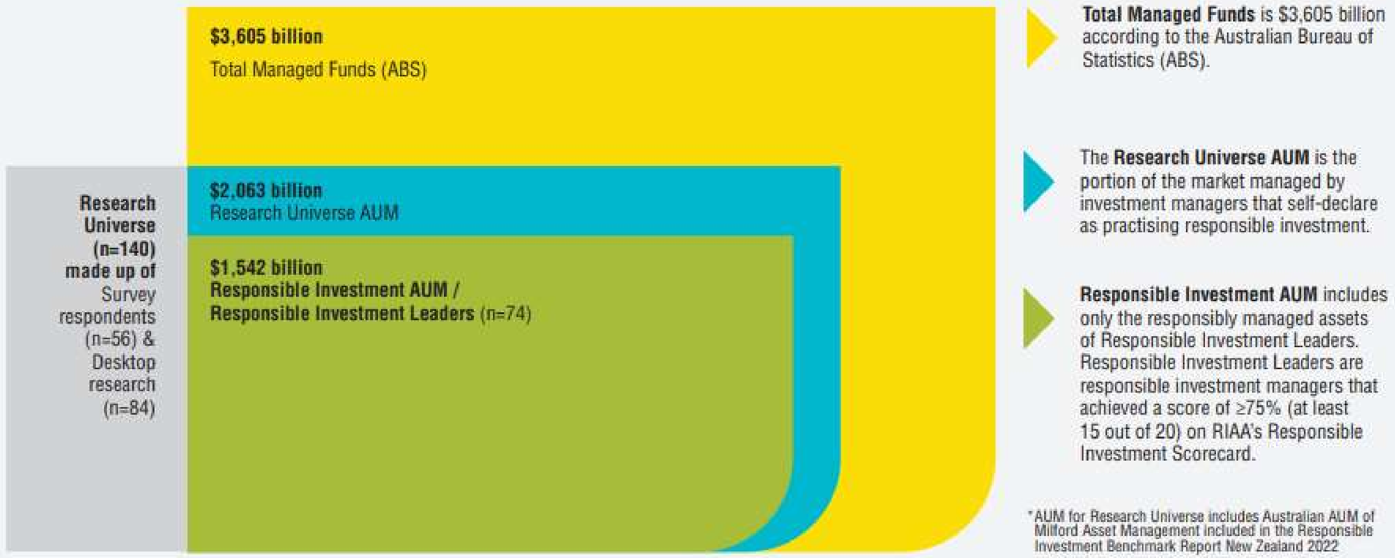
Australian Ethical

September 2022

The big shift

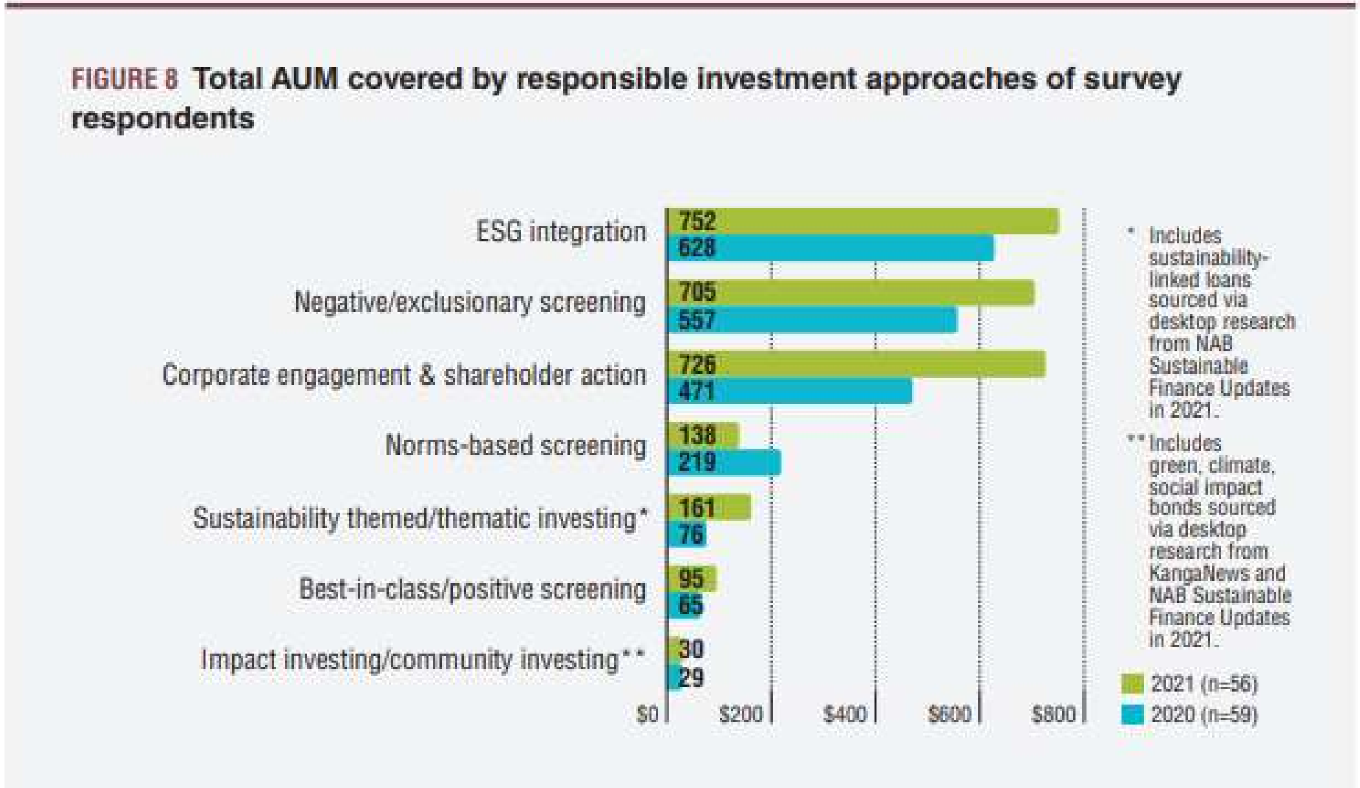
Australia's responsible investment market reached $1.54 trillion in 2021, up from $1.28 trillion in 2020. These assets under management of leading practice responsible investors now position responsible investment with a 43% share of the total market (up from 40% in 2020).

FIGURE 1 **Overview of the 2021 Research Universe and the Australian responsible investment market**



Banhalmi-Zakar Z, Goodwin M, Parker E, Blake J, Gacic M, Herd E and Vidulich B, 2022, Responsible Investment Benchmark Report 2022 Australia, Responsible Investment Association Australasia, Melbourne.

ESG integration remains the most popular RI approach used by investment managers

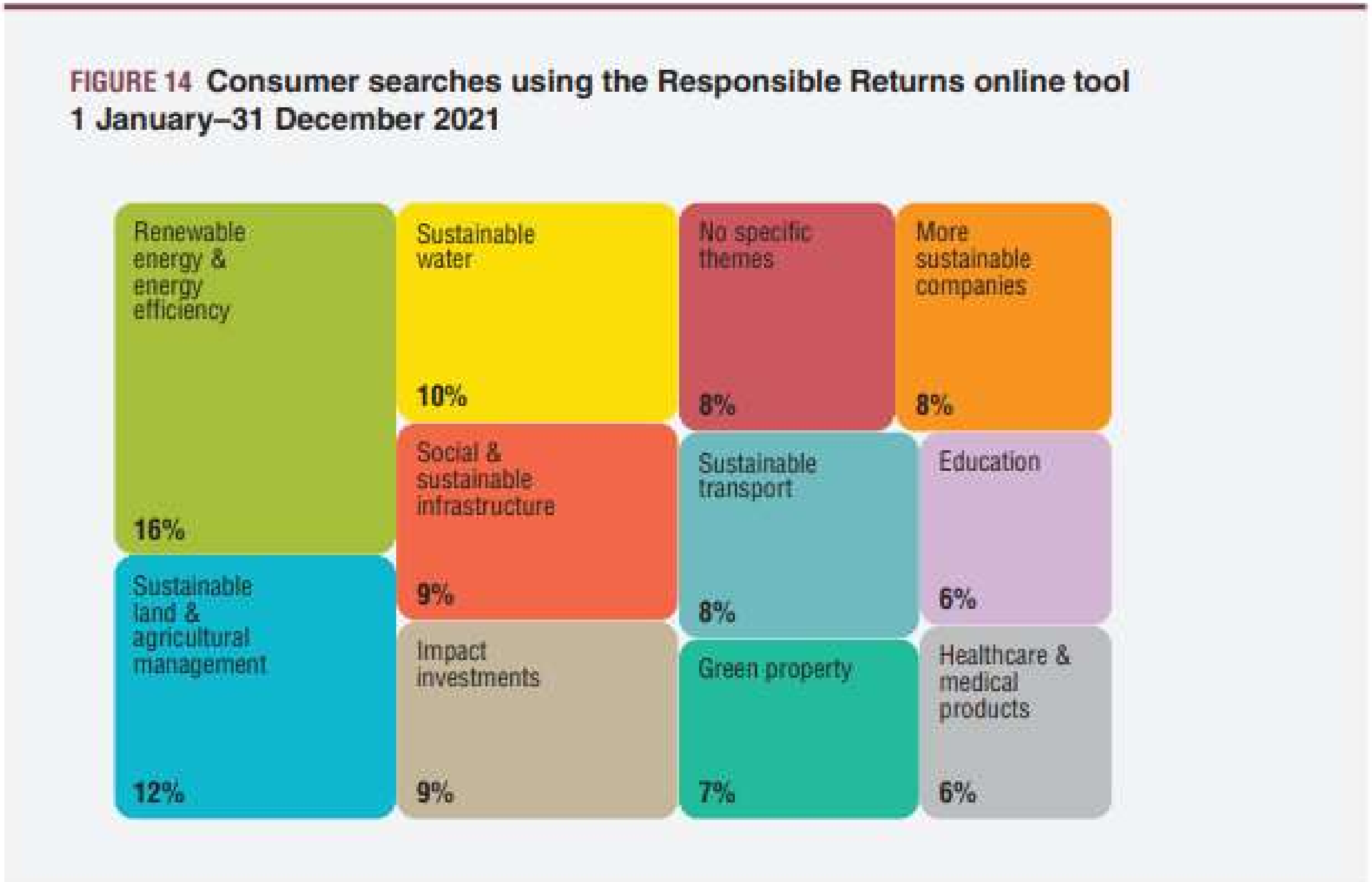


Banhalmi-Zakar Z, Goodwin M, Parker E, Blake J, Gacic M, Herd E and Vidulich B, 2022, Responsible Investment Benchmark Report 2022 Australia, Responsible Investment Association Australasia, Melbourne.

Investment managers are less effective at allocating capital to create positive outcomes

Banhalmi-Zakar Z, Goodwin M, Parker E, Blake J, Gacic M, Herd E and Vidulich B, 2022, Responsible Investment Benchmark Report 2022 Australia, Responsible Investment Association Australasia, Melbourne.

Consumer interest in sustainability-themed investments is high



Banhalmi-Zakar Z, Goodwin M, Parker E, Blake J, Gacic M, Herd E and Vidulich B, 2022, Responsible Investment Benchmark Report 2022 Australia, Responsible Investment Association Australasia, Melbourne.

Other considerations

Company engagement

In 2021, 82% of investment managers nominated ‘direct engagement with investee company management’ as the most popular source of information for investment decision-making.

Reporting

In 2021, 45% of investment managers reported on corporate engagement and shareholder activity, compared to 31% in 2020 and only 21% in 2019.

39% are still not reporting.

Portfolio holdings disclosure

8 out of 10 (80%) of super funds disclosed their portfolio holdings fully, compared to 51 out of 112 (46%) of investment managers.

Banhalmi-Zakar Z, Goodwin M, Parker E, Blake J, Gacic M, Herd E and Vidulich B, 2022, Responsible Investment Benchmark Report 2022 Australia, Responsible Investment Association Australasia, Melbourne.

The responsible investing landscape in 2022

Climate and the transition

Government policy is giving reliable, long-term market signals for investment.

Not just energy-de-carbonising finance, food, cement, steel, mining and building materials.

Increasing regulation and Greenwash

Not all green is good and not all ethical companies are financially viable.

Advisers will need to navigate greenwashing, mispricing risks and valuation bubbles.

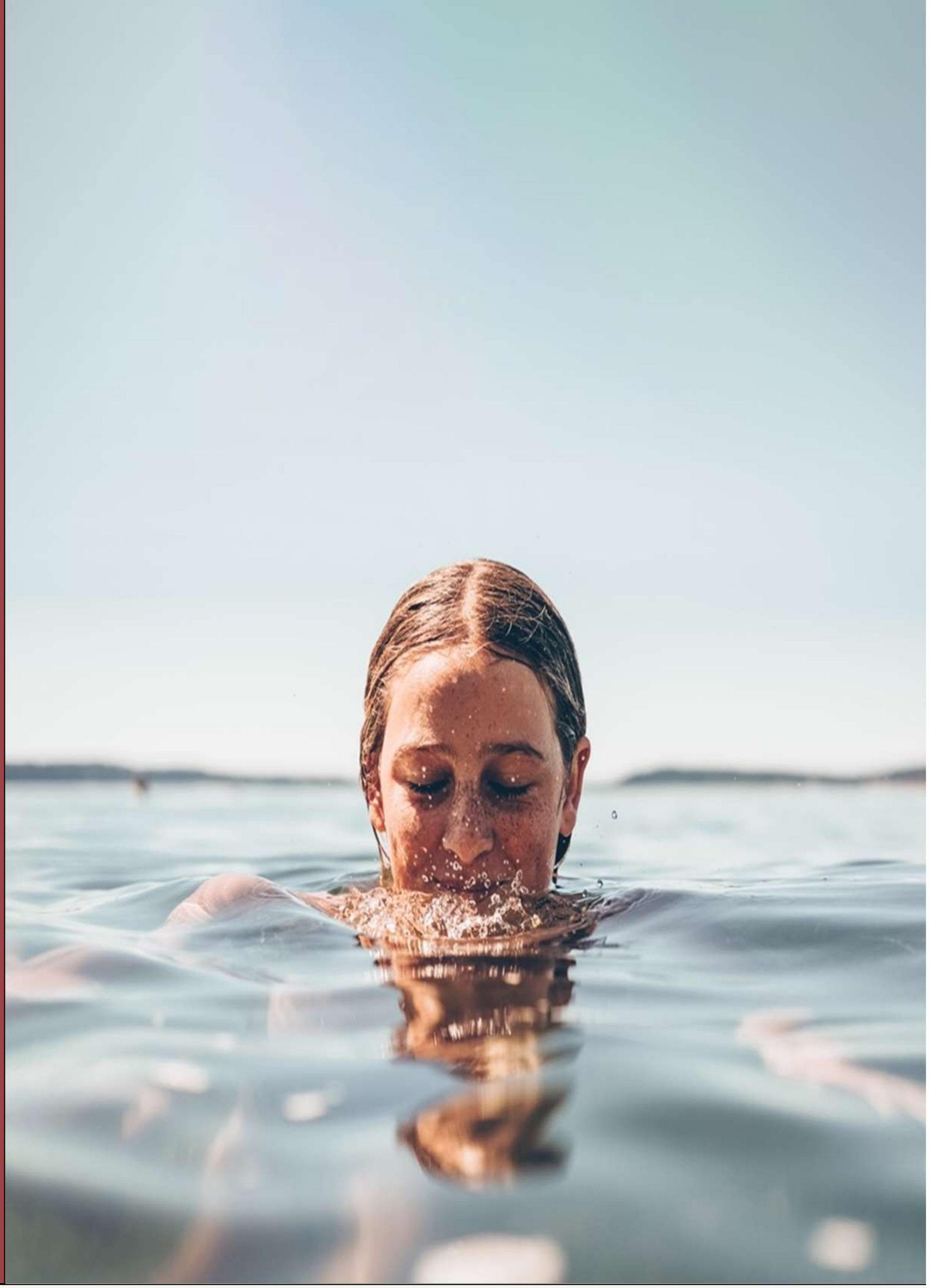
Measurable impact

Evolving frameworks, measurement methods and tools to report on outcomes.

Eg. Carbon footprinting, net zero commitments and alignment to the SDGs.

Q&A

This presentation provides general information only and does not take account of anyone's individual investment objectives, financial situation or needs. Visit australianethical.com.au for our financial services guide, product disclosure statements and target market determinations. Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949)



IMAP Managed Account awards Judging Process

- Philosophy and process
- Integration of ESG principles into portfolio construction
- Team
- Client communication
- Interaction with advisers

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Lonsec Sustainable Managed Portfolios

Lonsec Investment Solutions

September 2022|

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Lonsec Sustainable Managed Portfolios

A whole of portfolio solution

- Multi-asset solution incorporating ESG and Sustainability principles across the major asset classes
- Aims not only to deliver strong risk-adjusted returns but to also make a positive contribution to the key environmental and social challenges facing society as measured by the United Nations Sustainable Development Goals (UN SDGs)

Risk-adjusted returns + real world impact

Lonsec

Lonsec Sustainable Managed Portfolios

Make a positive contribution while limiting exposure to controversial industries

‘A just transition’

Gambling, alcohol, tobacco, coal mining, nuclear, adult entertainment, and weapons.

Lonsec's Research Approach

Greenwashing:

"The process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound."

Lonsec assesses manager's ESG integration using the framework provided by the broad parameters of the UN Principles for Responsible Investment (PRI) six principles.

Bottom up assessment of the goods & services produced by portfolio companies and their impact on society & the planet.

Avoid greenwashing by leveraging the depth and breadth of Lonsec Research

Investment Selection Process

Qualitative & Quantitative

Face to face meeting, holdings-based analysis, risk & return analysis, style/factor analysis and forward looking scenarios analysis

Quality Filter → Role in the Portfolio → Double Layer DD → Blending & Risk Control → Manager Selection Committee Approval

Quality Filter
Rated ‘Recommended’ or above

ESG Integration
How well does a manager integrate ESG into their investment decision making process?

Sustainable
Seek to do good and avoid harm
A range of approaches employed; impact, best in class, exclusion based

Lonsec

Sustainable Impact

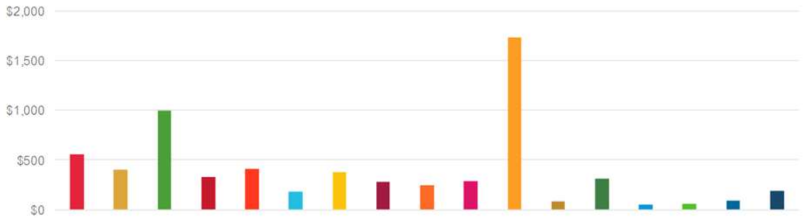
To 31 December 2021

Sustainability Report | Powered by SUSTAINABLE PLATFORM

Lonsec Sustainable Managed Portfolios - Growth^

The Fund's Sustainable Development Goals (SDG) contribution

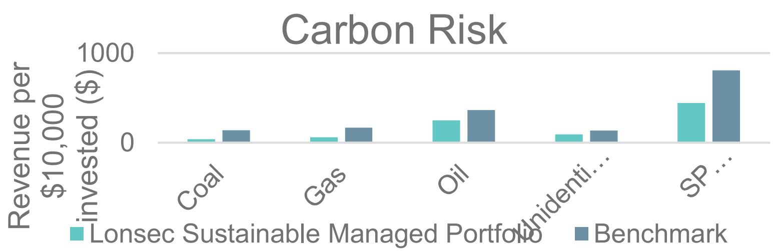
Estimated contribution based on a $10,000 portfolio



1 No poverty | 2 Zero hunger | 3 Good health and well-being | 4 Quality education | 5 Gender equality | 6 Clean water and sanitation | 7 Affordable and clean energy | 8 Decent work and economic growth | 9 Industry, innovation and infrastructure | 10 Reduced inequalities | 11 Sustainable cities and communities | 12 Responsible consumption and production | 13 Climate action | 14 Life below water | 15 Life on land | 16 Peace, justice and strong institutions | 17 Partnerships for the goals.

Established by the United Nations, the 17 global goals are the "blueprint to achieve a better and more sustainable future for all". Lonsec, powered by our partner Sustainable Platform, uses a sophisticated tool to map the products and services delivered by a company, not just a simple industry allocation, to determine how those products and services contribute to each of the SDGs. For a full description of the 17 SDGs, visit the United Nations Sustainable Development Goals website.

Sustainable Platform
Based in Australia, Sustainable Platform provides independent and material sustainability (SDG and ESG) data for investors to better understand the contribution they make to society and the environment, as well as the sustainability related risks within their investment portfolios.



Sustainable impact
Year ending December 2021

Low Carbon Footprint *
70% lower Total GHG Emissions than the benchmark*

Paris Aligned**
Fossil Fuel exposures are low and aligned to the Paris agreement goal of limiting global warming to 1.5 – 2 degrees Celsius

Less Waste *
45% Waste Generated per Sales
15% Less Waste Sent to Landfills

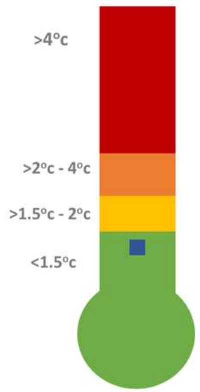
More women on boards *
5% more women on Boards
5% more women on Management teams

Green, Social and Sustainability-linked bonds
19% of fixed income securities held

* Than the benchmark. Source Bloomberg. These figures refer to the past. Past performance is not a reliable indicator of future performance. The benchmark is based on Lonsec's Strategic Asset Allocation positioning using passive (index) funds/ETFs (excluding fixed income and cash). Total GHG Emissions is defined as the total of company Scope 1 and Scope 2 emissions. Greenhouse Gases are defined as those gases which contribute to the trapping of heat in the Earth's atmosphere and they include Carbon Dioxide (CO_2), Methane, and Nitrous Oxide.

** Source Sustainable Platform. These figures refer to the past. Past performance is not a reliable indicator of future performance.

Fossil Fuel Exposure Climate Alignment



Source: Sustainable Platform

Why Lonsec Sustainable?

Aims to deliver strong risk-adjusted returns while delivering real world impact

- ✓ A whole of portfolio, core multi-asset solution
- ✓ Aligned to the United Nations Sustainable Development Goals (UN SDG's)
- ✓ Best-of-breed managers incorporating ESG and Sustainability principles
- ✓ Avoids greenwashing by leveraging the depth and breadth of Lonsec Research
- ✓ Excludes controversial industries
- ✓ Low Carbon footprint and aligned to Paris agreement target of limiting global warming to 1.5 – 2 degrees Celsius

Questions?

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