

# Melior - Australian Impact Fund

Ethical Survey, as voted by members of the Ethical Advisers Co-Op



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: [www.ethicaladviserscoop.org/find-an-adviser.html](http://www.ethicaladviserscoop.org/find-an-adviser.html)

## Fund Overview

The Melior Australian Impact Fund (AIF) is a managed fund that invests in predominantly listed Australian and New Zealand companies whose core businesses align to the UN Sustainable Development Goals. Melior can also invest in unlisted companies that meet the impact theme.

## Ethical Concerns

### Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
  - Fossil-fuel intensive industries: Transurban Ltd
  - Mining and Indigenous land rights: Fortescue Metals Group
  - Mining and lithium: Galaxy Resources
  - Mineral mining: Oz Minerals
  - Uranium mining exposure: Toro Energy through Oz Minerals
  - Domestic exposure to fossil fuels (gas) and intensive farming: Wesfarmers

### Other concerns

- ✘ Poor transparency of holdings and voting history, neither easily accessed via the public website.
- ✘ Full holdings are not disclosed on the website nor on the RIAA website. A request for the full holdings list resulted in a request to sign a non-disclosure agreement before it would be released.
- ✘ There is no public disclosure of voting or shareholder engagement, so it is difficult for the public to gauge the fund's engagement on climate change, human rights or other issues. There is however a good proxy voting and advocacy policy and full details were provided on request.
- ✘ A note regarding the fund name. The usual interpretation of an 'impact investment' differs from Melior's management team interpretation. In line with industry peak bodies such as the Global Impact Investing Network, a genuine impact investment must not only create a financial return alongside any environmental or social return, it must also directly contribute to a solution through additionality and intentionality. A simple example would be the direct funding of a solar farm, where the capital is raised to purposely construct (intentionality) an asset that will reduce the amount of carbon dioxide emitted for power production (additionality), thus working towards mitigation of human-induced climate change (contribute to a solution). This approach is particularly important when discussing SDGs, which require incremental capital if the goals are to be achieved, rather than just 'business as usual'.

## Good Points

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- ✓ Fund 'seeks to avoid' investing in companies that have a negative impact in areas such as gambling, armament manufacturing, tobacco manufacturing, uranium production and nuclear energy, fossil fuels – specifically, thermal coal, gas, tar sands and oil production, alcohol manufacturing, highly processed food and sugar-sweetened drink manufacturing and pornography production. They have a 5% materiality threshold meaning that companies operating partially in these areas, but generating less than 5% of revenue from them, could be included.
- ✓ The fund preferences companies that make a positive contribution in areas such as renewable energy, waste/recycling, gender and other diversity, climate action, energy efficiency, green buildings, sustainable infrastructure, responsible consumption, education, health, nutrition, innovation, inclusive finance and sustainable agriculture.
- ✓ Provides [information](#) on their website explaining the ESG methodology followed, however this is not very detailed, and does not mention materiality thresholds, which were obtained via direct correspondence with the fund manager.
- ✓ Current portfolio versus the S&P ASX300 benchmark indicates an over-weighted exposure to SDG goals-aligned businesses, with a concurrent reduction in risks arising from exposure to fossil fuels and corporate governance issues, confirming that the underlying portfolio is genuinely aligned with the investment strategy.
- ✓ Some commitment to transparency by being a [UNPRI](#) signatory and currently in the process of [RIAA](#) certification.
- ✓ Management has shown commitment to driving positive change through the company selection process and subsequent shareholder advocacy.
- ✓ The Fund's investment choices typically demonstrate a clear connection with one of the UN Sustainable Development Goals.
- ✓ Melior specialise in ESG screened (which they refer to as Impact) investments.
- ✓ Their December 2019 quarterly investor report highlights positive engagement with companies, and outperformance of multiple ESG KPIs compared to the ASX300 such as lower carbon intensity.

## About the 'Ethical Survey'

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### About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

### How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

### Further Research

#### *Does your fund walk the talk?*

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

#### *Is your fund investing in fossil fuels?*

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

#### *If the fund is certified by the Responsible Investment Association Australasia (RIAA)*

You can find more ethical and investment information for certified funds [here](#).

#### *More information on this fund*

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

*Vote based on information last updated 26<sup>th</sup> July 2020*