

BetaShares Global Sustainability Leaders

Ethical Survey, as voted by members of the Ethical Advisers Co-Op on 17 September 2022



Appealing

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

Fund Overview

The fund is a passive ETF that tracks an index comprised of 200 large global stocks which are positively screened to be climate change leaders (as measured by their relative carbon efficiency) and negatively screened against activities deemed inconsistent with responsible investment considerations.

Ethical Concerns

Investments

Some investments in the Fund may be problematic for some ethical investors, such as:

- ✘ Fast Fashion: Hennes & Mauritz AB (H&M Group), the world's second-largest fashion retail group and owner of famous brands H&M and COS, among others. H&M, which produces approximately 600 million garments annually, has faced consistent criticism for its clothing's environmental and social impact. H&M has instituted a range of policies to address these issues, such as setting science-based targets to reduce greenhouse gas emissions and offering a clothing recycling program. The does however promote 'disposable' fashion and uses toxic dyes, solvents and pesticides in its manufacturing process. We note that in August 2022, H&M came under formal indictment in the New York Federal Court for greenwashing, based on a civil claim that it was overstating the sustainability of its "Conscious Collection" clothing. Fast Fashion as a category is currently under review by the BetaShares Responsible Investment Committee (Sept 22).
- ✘ Animal Testing: there are investments in pharmaceutical companies that are generally required by law to conduct animal research before testing products on humans. Many companies in the portfolio have stated policies on animal welfare that ensure safe procedures and are regularly monitored for exposure to animal welfare concerns however some investors choose to avoid any animal testing.
- ✘ Gaming: there are investments in several gaming companies that produce mobile and video games such as Grand Theft Auto, and Red Dead Redemption which may present values-based concerns for some investors due to the violent nature of their content.
- ✘ Largest holding (as of August 2022), Apple (AAPL) has been implicated in various human rights controversies in their supply chains over the years. BetaShares have engaged with Apple on numerous occasions in relation to human rights in its supply chains including cobalt and the working conditions of contracting firms such as Hon Hai Precision (Foxconn). In the recent Amnesty International report "Time to Recharge" which ranked companies with regard to action taken to prevent human rights abuses in their cobalt supply chain. Only Apple and Samsung SDI (also an ETHI holding) were ranked as "Adequate".
- ✘ The high revenue materiality limit on Junk Foods (33%) could lead to unwanted exposures within the portfolio for example Starbucks

Other concerns

- ✘ BetaShares do not specialise in Ethical Investment.

Good Points

- ✓ The fund preferences climate change leaders as measured by their relative carbon efficiency and has a broad range of ethical screens outside of fossil fuels and carbon intensity.
- ✓ Provides a detailed [Ethical Screening Process](#) document and [Responsible Investment Policy](#).
- ✓ Good commitment to responsible investment and process transparency and by being [UNPRI](#) signatory and [RIAA](#) certified.
- ✓ Good transparency of holdings and voting history, both easily accessed via the public website, see links overleaf.

*This survey, and the information contained in this document, consider **ethics only** and do not include ANY analysis of fees, performance of financial suitability. It is **general advice only**. The ethical score is subjective and benchmarked to each adviser's average ethical client. Your ethics may differ. We recommend you speak to an experienced ethical financial adviser for personalised advice before making any decisions.*

- ✓ History of voting in favour of improving corporate governance, increasing shareholder rights and increased transparency regarding reporting ESG related issues and topics through engagement with companies held:
 - In 2021 (Calendar Year) BetaShares voted on a total of 87 ESG-Related resolutions across 56 companies including both Apple (1 Resolution) & H&M Hennes & Mauritz AB (5 Resolutions)
- ✓ The ETF is assessed annually by Institutional Shareholder Solutions (ISS) to map the portfolio in terms of its contribution to and obstruction of the UN Sustainable Development Goals. The portfolio scores better than benchmark portfolios under this methodology, with no holdings rated as 'significant obstruction' as at 30 June 2022.
- ✓ While not being specialist Ethical Investment firm BetaShares were first to market and are currently the market leaders in ethical ETFs, with over \$4bn FUM and 74.4% of market flows in the year to 31 March 2022.

Fund Overview

UNPRI Signatory	Yes - Link
Full Holdings Disclosure	Yes - Link – Updated daily (scroll to bottom of page 'resources' section)
RIAA Certification	Yes - Link
Disclosure of Voting	Yes – Published yearly Find FY 21 Report at Link ESG Related Resolutions in Stewardship Report LINK (Pages 18-30)
Ethical Screening Process	Refer Ethical Screening Process here and Responsible Investment Policy here
Exclusions	<p>Climate change screens</p> <ul style="list-style-type: none"> × Fossil fuel direct (reserves, infrastructure, mining, extraction or burning of fossil fuels) 0% × Fossil fuel indirect 5% for products and services (except where more than 50% of co. revenue is derived from renewables, resource efficiency etc. <p>Other Ethical screens</p> <ul style="list-style-type: none"> × Board Diversity × Human & labour rights × Pornography 0% for production of pornography, 5% for distribution of pornography × Gambling 0% × Tobacco 0% production, 5% sale × Uranium & Nuclear energy 0% uranium mining and nuclear energy, 5% for services to nuclear energy × Armaments and Militarism 0% for manufacture of armaments and weapons, 5% for specific and significant services to military and armaments manufacture × Destruction of Valuable Environments 0% × Animal Cruelty 0% × Chemicals of concern 0% × Mandatory Detention of Asylum Seekers and pro-profit prisons 0% × Alcohol 5% for production, 20% for sale of alcohol × Junk Foods, companies which produce or sell junk foods 33% × Payday lending 0% <p>“%” refers to the to the % of total revenue.</p>
Materiality/Exposure Limits	These are shown above in the exclusions section where appropriate and available in more detail here .



About the 'Ethical Survey'

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.

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 17 September 2022