

BetaShares Australian Sustainability Leaders

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



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 an ETF which passively tracks an index comprised of a portfolio of ASX-listed securities that have been screened to preference companies engaged in sustainable business activities and to avoid companies engaged in activities deemed inconsistent with responsible investment considerations.

Ethical Concerns

Investments

- ✘ Lithium Mining and environmental issues: FAIR includes Allkem, Lontown Resources, Lake Resources, Goulmania, Loneer Limited & Pilbara Minerals Limited which all own and or operate lithium mines or have plans to extract lithium. While lithium is a critical resource for renewable energy generation and transitioning to a low carbon economy, the practice of lithium mining can cause severely negative environmental impacts such as water wastage and land contamination. BetaShares have noted the documented evidence of water contamination in the Atacama desert (as well as conflict with Indigenous peoples) and have engaged with a number of companies that source lithium from either of the two main operators in that region. BetaShares also note advances in direct lithium extraction (dle) which substantially reduces both water and chemical use in lithium extraction. Note that Allkem (formerly Orocobre) has entered into an agreement with EnergyX which uses technology developed at the University of Texas to directly extract lithium using mixed matrix membranes. EnergyX has recently completed scale pilot projects working with the Chilean government.
- ✘ Lithium Mining and Fossil Fuel intensity: The process of mining lithium is also very energy intensive. BetaShares FAIR generally excludes companies on the basis of high use of fossil fuels however the standard policy was recently altered to exempt miners of critical minerals (including lithium) from exclusion on this basis. The basis for this decision was that the transition to a net-zero economy cannot be made without extensive electrification of the economy including transport. Battery storage plays an important role in that transition. BetaShares Responsible Investment Committee decided that given the vital role of crucial minerals, investment in such miners was consistent with ethical and sustainable investment principles. They point out this does not mean companies are exempt from scrutiny. For example, Piedmont Lithium was excluded from the portfolio on the basis of controversy (catastrophic failure in governance) and Core Lithium was excluded because of lack of gender diversity on its board.

Other concerns

- ✘ BetaShares do not specialise in ethical investments.

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 commitment to transparency with full, regular disclosure of holdings
- ✓ 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:
 - Notable engagement of working with other key shareholders, board of directors and management of AGL to raise concerns over risks of a proposed de-merger of its energy generation business and its energy retailing business in Australia. The end result was the withdrawal of the highly publicised de-merger.

*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.*

- ✓ 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, based on 30 September 2021 fund holdings.
- ✓ While not being a 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 fuel) 0% ✗ Fossil fuel indirect 5% for product & services (except where more than 50% of revenue is derived from renewables, resource efficiency, etc) <p>Ethical screens</p> <ul style="list-style-type: none"> ✗ Gambling 0% for Casinos, manufacturers of gaming products and poker machine operators, 5% for distribution of gambling products ✗ Tobacco 0% for production, 5% for sale ✗ Uranium and Nuclear Energy 0% for uranium mining and nuclear energy, 5% for products and services to nuclear energy ✗ Armaments and militarism 0% for manufacture, 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 & Pro-Profit Prisons 0% ✗ Alcohol 20% ✗ Junk Food, companies which produce or sell junk foods 33% ✗ Pornography 0% for Production, 5% for Distribution ✗ Payday Lending 0% ✗ Human Rights: fully excludes companies associated with human rights violations, forced labour, etc ✗ Board Diversity: fully excludes companies with no women on the board of directors <p>“%” refers 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. 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 17 September 2022