

Vanguard – Vanguard Ethically Conscious Global Aggregate Bond Index Fund

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



Disappointing

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

This is a passively managed international income ETF with a negative screen, hedged into Australian dollars. The fund tracks an index. The fund has exposure to government and corporate bond issues and securitised assets.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Energy production (coal, gas): CMS Energy
 - Exposure to fossil fuels (oil and gas, renewable energy): 3M company
 - Oil and gas pipelines: Enbridge Energy Partners, Enbridge Inc, Enbridge Gas, CMS Energy, Transcanada Pipelines...
 - Fossil fuel lending: ANZ, CBA, NAB, Westpac, Macquarie
 - Significant safety, competition and environment violations: Chevron Phillips Chemical, CMS Energy, Enbridge Energy Partners, Enbridge Inc, Enbridge Gas...
 - Lending to nuclear weapons producers: ANZ, CBA, Westpac, Macquarie, Commerzbank, Danske Bank, Deutsche Bank...
 - Distribution, logistics and support (oil/gas): Chevron Phillips Chemical, Thai Oil Treasury Centre, Atmos Energy
 - Domestic exposure to gambling, tobacco and/or alcohol sales: Woolworths
 - Animal welfare: Gilead Sciences
 - Other holdings with ethical concerns: Fox Corp, Coca-Cola, Nestle, Alibaba, Unilever, Apple, Tencent

Other concerns

- ✘ The fund is a passive fund relying on the underlying index. Its investments are only as good as rules that direct it.
- ✘ This portfolio does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments for the fund, other than the filters described.
- ✘ Vanguard does not specialise in ethical investments.

Good Points

- ✓ Fund excludes companies with significant business activities involving ownership of fossil fuel reserves, alcohol, tobacco, gambling, military weapons and civilian firearms, nuclear power and adult entertainment. Materiality threshold for exclusions is 5% (or \$500m) of revenue, with a higher 15% threshold for nuclear power and tobacco.
- ✓ Good commitment to transparency by being a United Nations Principles for Responsible Investment ([UNPRI](#)) signatory and RIAA certified ([RIAA LINK](#)).
- ✓ Good transparency of holdings ([LINK](#)) easily accessed via the public website but Poor shareholder voting ([LINK](#)) history on ESG issues. Website planned to be updated by September to incorporate shareholder engagement in detail.
- ✓ The underlying index provides clear details of the ethical screening process [here](#).
- ✓ Stewardship report available which includes advocacy, engagement & voting processes [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. They published a detailed report looking at the voting records of major Super funds in June 2020. You may find information relating to your super fund [here](#) (see page 18 & 19).

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 16th September 2020