

Vanguard – Ethically Conscious International Shares Index ETF (VESG)

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

Fund Overview

This is a passively managed global share ETF that tracks the return of the FTSE Developed ex-Australia ex-Non-renewable Energy, Vice Products and Weapons Index. The index applies eight ethical screens; companies in the underlying index universe are reviewed quarterly for eligibility.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Fossil-fuel intensive industries: Halliburton (an oilfield services company that has featured on 'Worlds Least Ethical Company' lists). See [Oil Disaster](#) link.
 - Petroleum refiner – Valero
 - Barrick Gold – features on 'World's Least Ethical Company' list. See links: [Pogera Gold mine](#) & [Tanzania](#)
 - G4S – Human Rights breach. See [Corporate Watch article](#)
 - Mondelez – need for models of responsible consumption & improving lives of all cocoa farmers in Ghana
 - Nucor (indirect association) – has clients in oil/gas sector eg. Anadarko Petroleum Corp, Occidental Petroleum
 - Bank of America/HSBC/Bank of Montreal Canada – financier of fossil fuel industry
- ✘ While the underlying Index excludes companies with significant business activities involving fossil fuels, alcohol, tobacco, gambling, military weapons and civilian firearms, nuclear power and adult entertainment. These screens do not exclude the concerned holdings listed.

Other concerns

- ✘ The Fund is exposed to all of the securities in the index most of the time and the ESG concerns associated with them.

Good Points

- ✓ Fund seeks to exclude companies involved in fossil fuels, nuclear power, adult entertainment, alcohol, gambling, tobacco, controversial weapons (e.g. cluster munitions), conventional military weapons and firearms.
- ✓ The underlying [FTSE](#) Index provides a Charter outlining the ethical screening process.
- ✓ Vanguard has good commitment to transparency by being a [UNPRI](#) signatory and is [RIAA](#) certified.
- ✓ Good report detailing [engagement with companies](#), including considerations, actions, and outcomes.
- ✓ Good transparency of [holdings](#) and some [voting](#) history, amalgamated but with clear examples, both easily accessed via the public website.
- ✓ Vanguard Investment Stewardship Annual [Report](#) 2019 includes advocacy, engagement & voting processes.

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 25th August 2019