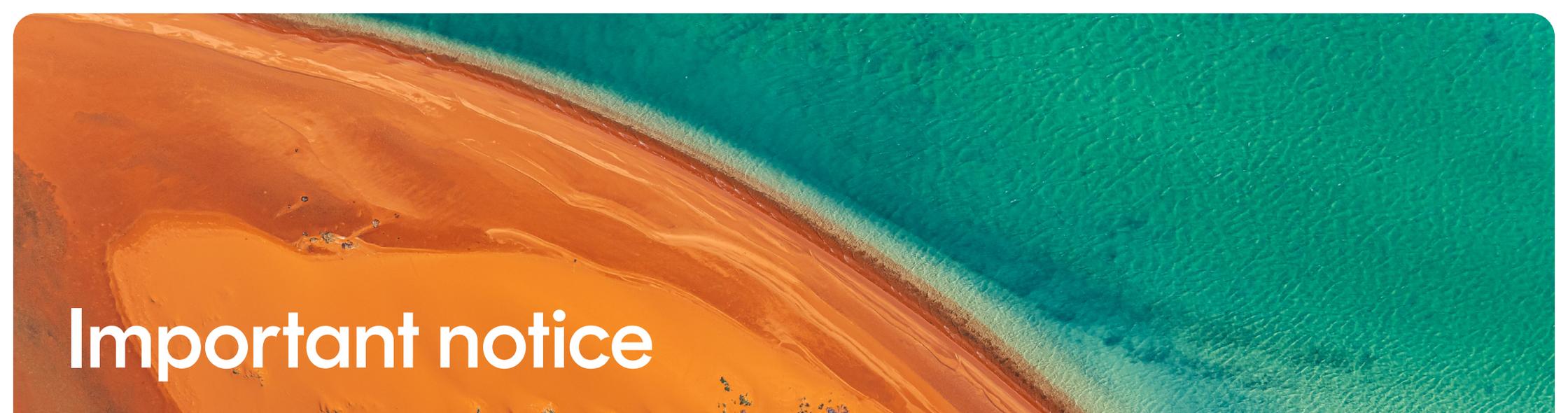




# Stewardship report

## 2023





# Important notice

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Before making an investment decision you should obtain and read a copy of the relevant Product Disclosure Statement (PDS) available from this website ([www.betashares.com.au](http://www.betashares.com.au)) or by calling 1300 487 577 and obtain financial advice in light of your individual circumstances. A Target Market Determination (TMD) for each Betashares Fund is available at [www.betashares.com.au/target-market-determinations](http://www.betashares.com.au/target-market-determinations). Investments in Betashares Funds are subject to investment risk and the value of units may go down as well as up.

Past performance is not an indication of future performance. The performance of Betashares Funds is not guaranteed by Betashares or any other person. To the extent permitted by law Betashares accepts no liability for any errors or omissions in, or loss from reliance on, the information herein. Any Betashares Fund that seeks to track the performance of a particular financial index is not sponsored, endorsed, issued, sold or promoted by the provider of the index.

No index provider makes any representation regarding the advisability of buying, selling or holding units in the Betashares Funds or investing in securities generally.

Awards/ratings are only one factor to be taken into account when deciding whether to invest in a financial product. You should make your own assessment of the suitability of this information.

This document is dated March 2024.



# Acknowledgement of Country

In the spirit of reconciliation, Betashares acknowledges the Traditional Custodians of country throughout Australia, and their connections to land, sea, and community. We pay our respect to Elders past and present, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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On Ancient Ground, 2023  
Brett Groves, acrylic on cotton, framed canvass

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# 1 Introduction

Welcome to the 2023 Betashares Stewardship Report. As an investment manager, we embrace our role as guardians of our clients' investments. We're excited to share the advancements we've achieved in enhancing our responsible investment practices. This report is designed to offer a clear view of our stewardship efforts, showcasing our engagement with portfolio companies to champion sustainable business practices in an evolving responsible investing landscape.

## About us

Betashares is a leading Australian fund manager specialising in exchange traded funds (ETFs) and other funds traded on the Australian Securities Exchange (ASX). Since launching our first ETF more than a decade ago, Betashares has grown to become one of Australia's largest managers of ETFs. Trusted by hundreds of thousands of Australian investors, Betashares offers cost-effective, simple and liquid access to the broadest range of ETF investment solutions available on the ASX, covering almost every asset class and investment strategy. As of April 2024, Betashares has more than \$35 billion in funds under management in over 90 funds.

Betashares' range of ethical ETFs were the first ETFs in Australia to combine strict fossil fuel screens with a broad set of responsible investing screens, offering investors 'true-to-label' ethical investment options.

In April 2021, Betashares became a signatory to the United Nations (UN) Principles of Responsible Investment (PRI, the Principles). As a signatory to the Principles,

Betashares is committed to implementing the six principles of responsible investment into our business practices.

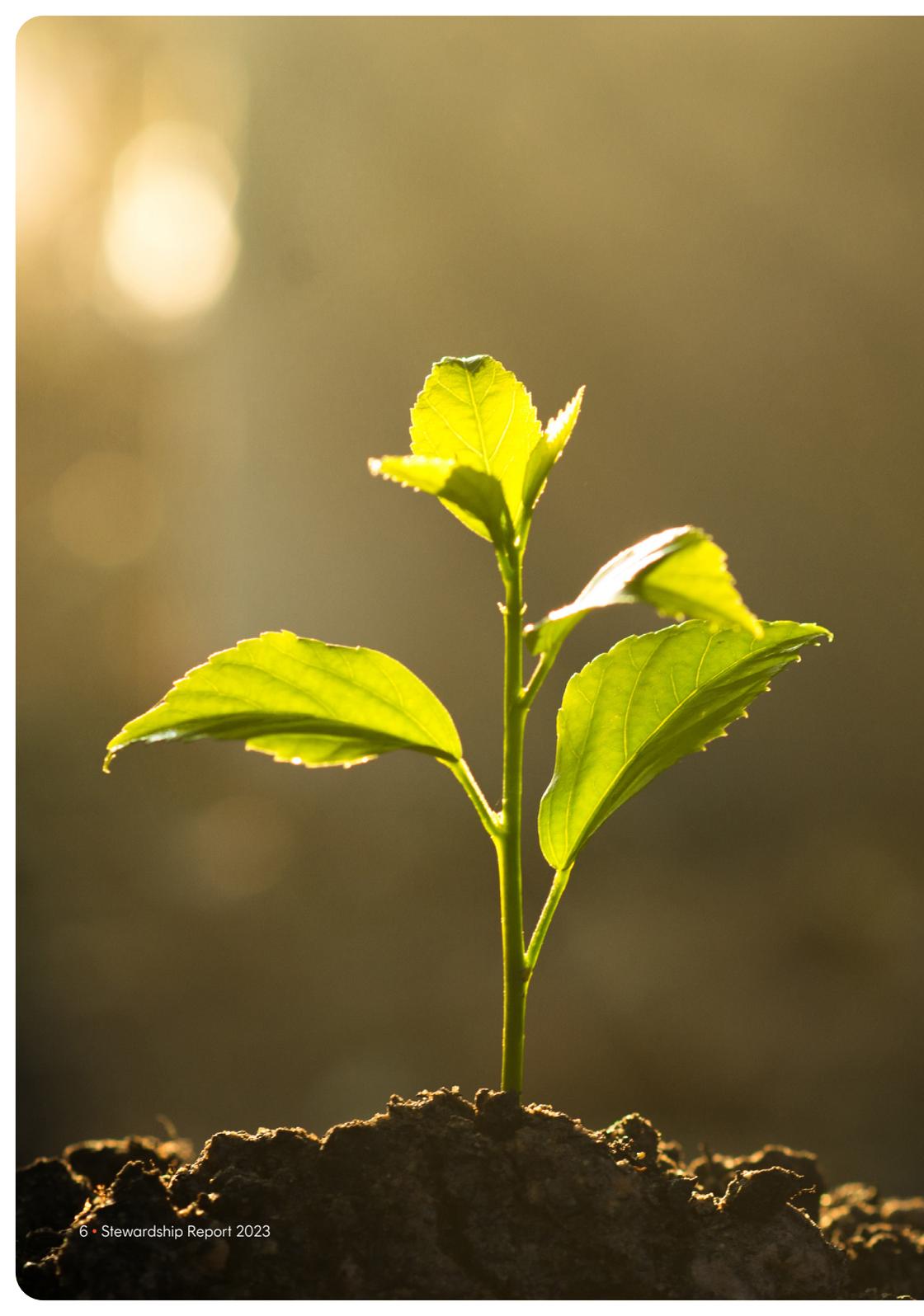
In 2023 Betashares group launched Betashares Capital NZ Limited, which issues a range of New Zealand domiciled PIE funds including three ethical and responsible investment funds, providing New Zealand investors access to cost efficient, tax-effective, true-to-label, values-based investment solutions.

Betashares is a member of the Responsible Investment Association Australasia (RIAA). With over 500 members, the RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Betashares is committed to the RIAA's goal of ensuring capital is aligned to achieving a healthy society, environment, and economy. In 2023, Betashares was recognised by the RIAA as a Responsible Investment Leader, demonstrating a commitment to responsible investing, stewardship, and transparency.

## Our approach to Responsible Investment

The Betashares Responsible Investment Policy outlines our commitment to responsible investment and stewardship, emphasising our fiduciary duty to prioritise investors' needs while being mindful of the future. In today's dynamic financial landscape, we believe the approach to Responsible Investment should be specifically tailored to each product, its target themes and exposures, and values of its investors.

Our approach to Environmental, Social, and Governance (ESG) issues in our ethical ETFs is rigorous. From shaping the investment goals and strategies to proxy voting and corporate engagements, we are dedicated to integrity. We implement comprehensive ethical screens and to maintain alignment, we complement our screening with monitoring of all investee companies on ESG-related issues via our established Responsible Investment Committee (RIC).



# Our commitment to stewardship

Betashares is deeply committed to stewardship, embracing its responsibility as custodian of client assets. Investors in our ethical ETFs have a right to expect that our stewardship activities are consistent with the ethical values embedded in the ETF's index rules.

We are convinced that a company's governance, along with its approach to environmental and social challenges, directly influences long-term shareholder returns.

At its core, our stewardship approach is driven by the conviction that by responsibly managing our clients' assets, we can enable meaningful change by aligning financial success with better societal and environmental outcomes.

## Key progress in 2023

In 2023, we participated in a number of collaborative initiatives including the RIAA Nature Working Group. We provided feedback to Treasury on the Climate-related financial disclosure regime, which proposes to introduce mandatory requirements for Australian businesses and financial institutions to disclose climate-related risks and opportunities (see Appendix D). We provided feedback to the Australian Sustainable Finance Institute (ASFI) on its Sustainable Finance Taxonomy principles.

We participated in a number of conferences, advisor events and planner days and published a number of thematic ethical and responsible investing articles and papers.

We also completed our inaugural PRI questionnaire response and were named as a Responsible Investment Leader by the Responsible Investment Association Australasia for the second year in a row.

In May 2023, we expanded our geographic footprint to New Zealand and launched Betashares NZ and launched the Betashares Australian Sustainability Leaders Fund,

Betashares Global Sustainability Leaders Fund and Betashares Global Sustainability Leaders Fund (NZD Hedged), among others.

We reviewed and updated our product factsheets for the Betashares Australian Sustainability Leaders ETF, Betashares Global Sustainability Leaders ETF and the Betashares Sustainability Leaders Diversified Bond ETF – Currency Hedged.

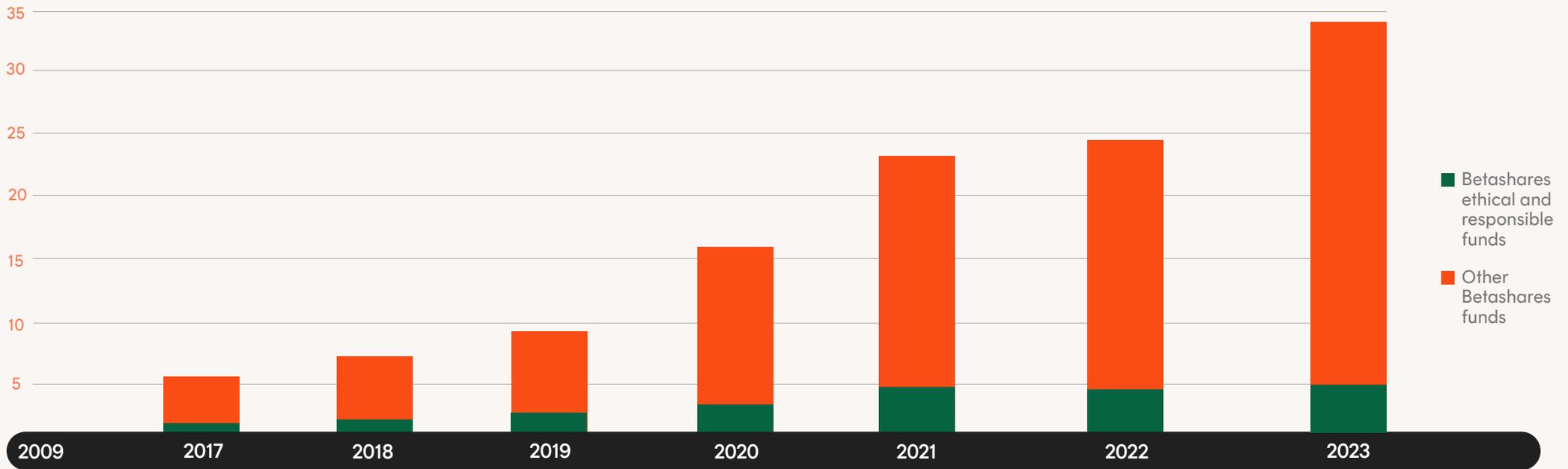
We also developed a framework for voting on remuneration-related proposals (see Appendix E).

## Ethical and Responsible Investments

Ethical investing	Impact investing	Sustainability-themed
<b>Description</b>		
<p>Characterised by the use of negative screening to exclude sectors and companies involved in activities with negative environmental or social impacts, and norms-based screening to exclude companies that do not meet minimum standards of business practice based on international norms and conventions such as the UN Global Compact.</p> <p>Can be combined with positive screens to preference companies with positive ESG factor exposures.</p>	<p>Investing with the intention of achieving positive environmental or social impacts.</p>	<p>Investing in companies specifically related to improving environmental or social sustainability.</p>
<b>Betashares ETF</b>		
<p>Global Equities   ETHI   HETH            Australian Equities   FAIR            Fixed Income   GBND            Ethical Diversified Funds   DBBF   DGGF   DZZF            Ethical Model Portfolio Solutions</p>	<p>Decarbonisation   EARTH</p>	<p>Electric Vehicles   DRIV            Solar   TANN            Future of Food   IEAT            Energy Transition Metals   XMET</p>

# Betashares FUM (33B)

Source: Betashares. As at 31 December 2023



2009

2017

2018

2019

2020

2021

2022

2023



**April**  
Betashares established as a specialist ETF manager



**January**  
ETHI launch



**November**  
FAIR launch



ETHI received RIAA Certification



FAIR received RIAA Certification



**October**  
Published first Proxy Voting Report



**November**  
GBND Launch



**July**  
HETH Launch



**December**

- DBBF launch
- DGGF launch
- DZZF launch



GBND received RIAA Certification



**March**

- Published first Responsible Investment Policy
- ERTH launch



**April**  
Signatory to UN PRI



**May**  
Published first Stewardship Report



**June**  
Redesigned factsheets for FAIR, ETHI and ERTH to included carbon metrics and SDG alignment



**November**  
Inaugural Sustainability Forum



**December**  
DRIV launch



ERTH received RIAA Certification



**January**

Betashares Green Council formation



**March**  
Completed Corporate Greenhouse Gas Assessment



**May**  
IEAT launch



**June**  
TANN launch



**September**  
Recognised by RIAA as Responsible Investment Leader



**October**

- XMET launch
- Ethical SMAs launch



**May**  
NZ launch



**July**

- PRI Submission
- Added ESG metric in GBND factsheet



**September**  
Recognised by RIAA as Responsible Investment Leader

## Responsible investment Timeline

# Ratings and awards

## 2023

### Finder Green ETF 2023

- Best International Shares ESG Fund (ETHI)



### Responsible Investment Association Australasia - Responsible Investment Leader 2023



### Money Magazine Best International Equities ESG Fund 2023



## 2022

### Finder Green Awards 2022

- Green ETF of the Year: Betashares Global Sustainability Leaders ETF (ASX: ETHI)



### Responsible Investment Association Australasia - Responsible Investment Leader 2022



## 2021

### Money Magazine Best of the Best Awards 2021

- Best International Share Exchange Traded Product (ETHI)
- Best International Share ESG Fund (ETHI)



# 2 Our purpose

At Betashares, we believe that investing is the key to wealth creation and securing superior financial outcomes. The money we manage is not our own. It belongs to our clients – Australians and New Zealanders investing over the long term to meet their financial goals.

Clients are at the heart of our business, and our purpose is to help as many clients as possible to achieve their financial objectives.

Betashares has a history of innovation and a reputation as a pioneer in the Australian ETF industry. Since our inception, our aim has been to make investing a positive force. We are privileged to serve an inspiring group of individuals, families, not-for-profits, institutions, and financial advisers across Australia.

We make investing accessible and affordable, and offer the broadest range of ETFs on the ASX – guided by our core principles: simplicity, cost-effectiveness, and transparency. Whether clients are looking to grow their savings, invest in super, or are just getting started on reaching their financial goals,

**Betashares strives to enable every Australian to financially progress.**

We recognise the role that investment managers can play in promoting responsible investment practices, and our position in being able to positively influence the way business is conducted, for the greater good of all stakeholders.

Betashares aims to conduct its operations with respect for the environment, to be socially minded and community focused, and to adhere to a transparent governance framework. We believe we can pursue the dual mandate of delivering financial well-being for our stakeholders as well as thriving as a business. This approach guides us through our partnerships with clients and suppliers, as investors in financial markets, our business practices, as employers, and as members of the community.

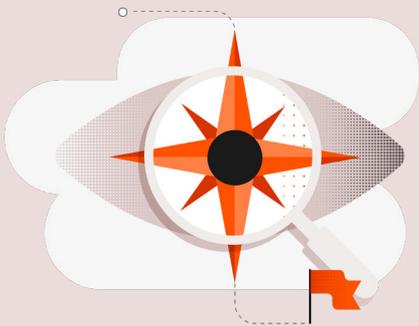
—  
**Our mission is to be the leading independent, customer-focused financial services brand in Australia.**

# 3 Our culture and values

Betashares was launched with the vision to create intelligent and accessible investment solutions for Australian investors. Our dedication to helping Australian investors achieve their financial goals has seen Betashares grow from being a challenger to a market leader. Our core values are integrity, humility, care, and innovation.

Our people are the heart of our business and leveraging our diverse life experiences, distinct capabilities and skillsets is the key to our success. We value these differences but are cognisant that we must create the right environment to flourish. We are proud of the culture we have built, and we continue to focus on maintaining an inclusive outcomes-focused environment underpinned by trust, that encourages innovation, values collaboration, and rewards hard work.

A strong moral compass



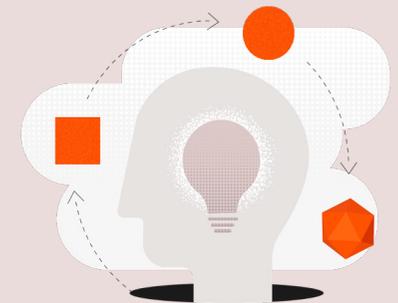
Ambition, combined with humility



Care



Innovation



# 4

## Betashares in the community



# Reconciliation Action Plan

In 2023, Betashares embarked on the development of our inaugural Reconciliation Action Plan (RAP). Reconciliation Australia's RAP Framework provides a structured approach to advancing reconciliation efforts. The framework offers four distinct types of RAP - Reflect, Innovate, Stretch, and Elevate - each representing a stage in an organisation's reconciliation journey.

Beginning our journey with a Reflect RAP, Betashares dedicated time to engage with Aboriginal and Torres Strait Islander stakeholders, define our vision for reconciliation, and explore actionable steps to promote it. Central to this process was the establishment of a dedicated RAP Working Group (RWG), comprising representatives from all areas of our business. In developing the RAP, we engaged the expertise of Dr. Lana Lesley from the Burruga Foundation. Dr. Lesley's guidance proved invaluable in crafting a plan that resonates deeply with our values and aspirations. Each member of the RWG found collaborating with Reconciliation Australia and Dr. Lesley to be a profoundly enriching experience.

Our Reflect RAP is available on our [website](#).



# 5 Our range of ethical and responsible investment products

## Ethical Products

### Single asset class funds

Fund	ASX Ticker	Investment Exposure	Index
Betashares Global Sustainability Leaders ETF	ETHI	Large global companies (currency hedged or unhedged) <sup>1</sup>	Nasdaq Future Global Sustainability Leaders Index
Betashares Global Sustainability Leaders ETF – Currency Hedged	HETH		Nasdaq Future Global Sustainability Leaders Currency Hedged AUD Index
Betashares Australian Sustainability Leaders ETF	FAIR	ASX-listed companies	Nasdaq Future Australian Sustainability Leaders Index
Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged	GBND	Global and Australian bonds	Solactive Australian and Global Select Sustainability Leaders Bond TR Index - AUD Hedged

Each of the single asset class funds is an 'index fund'. This means the objective of the fund is to track the performance of a specific index, before fees and expenses. An index measures the performance of a portfolio of securities that has been constructed in accordance with specific rules (the index rules). Well-known indices include the S&P/ASX 200 and the Nasdaq 100. The index that each of our single asset class ethical funds aims to track is set out in the table above.

<sup>1</sup>HETH currently obtains its investment exposure by investing in ETHI.

## Diversified Funds

Fund	ASX Ticker	Investment Exposure
Betashares Ethical Diversified Balanced ETF	DBBF	These ethical multi asset funds provide exposure to a passive blending of asset classes, including Australian and global shares and bonds, according to their strategic asset allocations.
Betashares Ethical Diversified Growth ETF	DGGF	
Betashares Ethical Diversified High Growth ETF	DZZF	

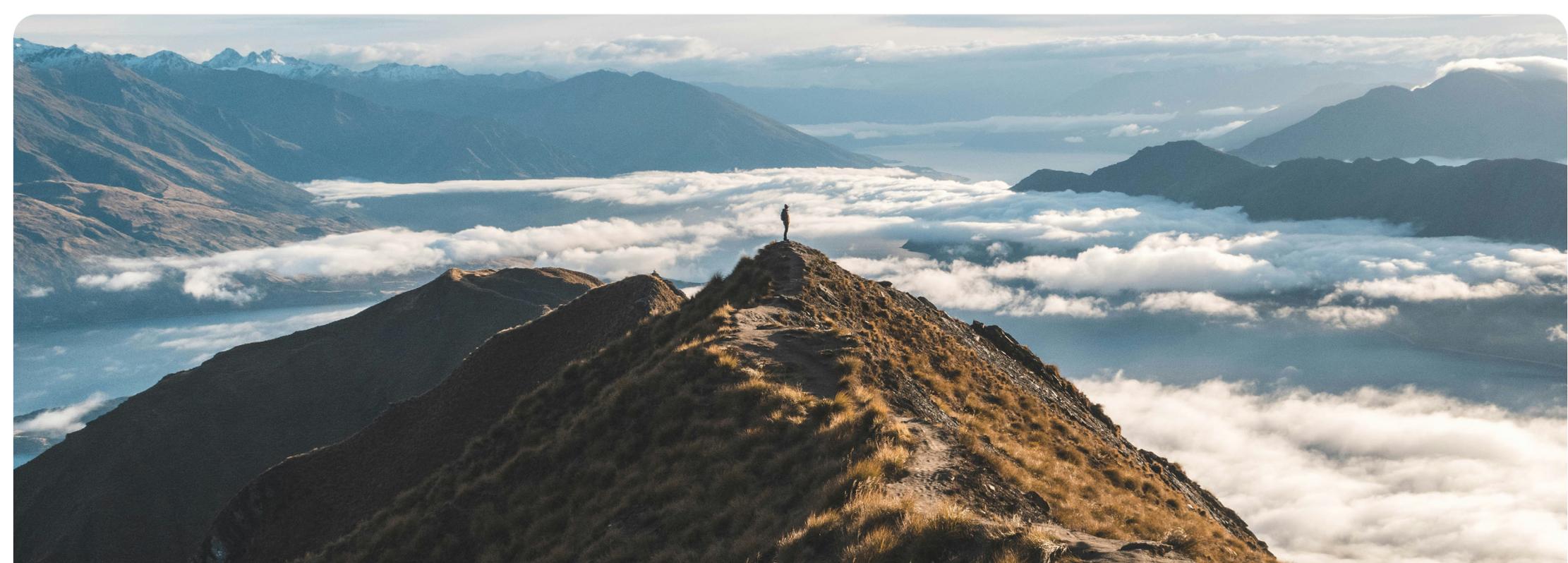
The Diversified funds provide all-in-one exposure to a range of asset classes and are built using differing combinations of the single asset Class ethical funds.

## Managed Accounts

Fund	Investment Exposure
Betashares Australian Sustainability Leaders model	The Australian Sustainability Leaders portfolio comprises the largest and most liquid names from the FAIR portfolio.  The ethical multi-asset managed accounts comprise the Australian Sustainability Leaders portfolio and allocations to ETHI and GBND.
Betashares Ethical Diversified – Balanced model	
Betashares Ethical Diversified – Growth model	
Betashares Ethical Diversified – High Growth model	

## Impact Investing Products

Fund	ASX Ticker	Investment Exposure	Index
Betashares Climate Change Innovation ETF	ERTH	Global companies	Solactive Climate Change and Environmental Opportunities Index



## NZ Investment Exposure

Fund	Investment Exposure
Betashares Australian Sustainability Leaders Fund	ASX listed companies
Betashares Global Sustainability Leaders Fund	Large global companies (unhedged)
Betashares Global Sustainability Leaders Fund (NZD Hedged)	Large global companies (NZD currency hedged)



## Sustainability-themed Products

Fund	ASX Ticker	Investment Exposure	Index
Betashares Electric Vehicle and Future Mobility ETF	DRIV	Global companies	Solactive Future Mobility Index
Betashares Solar ETF	TANN	Global companies	Solactive EQM Global Solar Energy Index
Betashares Future of Food ETF	IEAT	Global companies	Foxberry Next Generation Foods USD Net Total Return Index
Betashares Energy Transition Metals ETF	XMET	Global companies	Nasdaq Sprott Energy Transition Materials Select Index

# ESG Metrics

## Betashares Global Sustainability Leaders ETF



### Carbon emissions

A dollar invested in ETHI's portfolio results in **57.5% lower** carbon emissions than a dollar invested in the Solactive Global DM Index<sup>1</sup>.



### Alignment to sustainable development goals (SDGs)

**92%** of ETHI's portfolio by weight contributes to the United Nations SDGs compared to **66%** of the Solactive Global DM Index<sup>2</sup>.



### Fossil fuel exposure

Companies in ETHI's portfolio have nil% investment exposure to fossil fuel reserves. **100%** of the power generated by the companies in ETHI's portfolio comes from renewable sources compared to **22%** of the power generated by companies in the Solactive Global DM Index<sup>3</sup>.

## Betashares Australian Sustainability Leaders ETF



### Carbon emissions

A dollar invested in FAIR's portfolio results in **84.8% lower** emissions than a dollar invested in the S&P/ASX 300<sup>1</sup>.



### Alignment to sustainable development goals (SDGs)

**69%** of FAIR's portfolio by weight contributes to the United Nations SDGs compared to **57%** of the S&P/ASX 300<sup>2</sup>.



### Fossil fuel exposure

**100%** of the power generated by the companies in FAIR's portfolio comes from renewable sources compared to **11%** of the power generated by companies in the S&P/ASX 300 Index<sup>3</sup>.

## Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged

### Use of proceeds by top 20 largest green bond issuers\*\*



<sup>1</sup> ETHI Carbon Footprint Report, ISS Corporate Solutions, Inc. September 2023. Inclusive of Scope 1, 2 and 3 emissions.

<sup>2</sup> ETHI SDG Solutions Assessment, ISS Corporate Solutions, Inc. September 2023.

<sup>3</sup> ETHI Climate Impact Assessment, ISS Corporate Solutions, Inc. September 2023.

<sup>1</sup> FAIR Carbon Footprint Report, ISS Corporate Solutions, Inc. September 2023. Inclusive of Scope 1, 2 and 3 emissions.

<sup>2</sup> FAIR SDG Solutions Assessment, ISS Corporate Solutions, Inc. September 2023.

<sup>3</sup> FAIR Climate Impact Assessment, ISS Corporate Solutions, Inc. September 2023.

\*\*As at 30 June 2023. Source: Betashares. The information above has been estimated through Betashares' analysis of the intended use of proceeds of the green bond programs of the 20 largest issuers in GBND. In preparing this information, Betashares has relied on data sourced from external parties, including the issuers of the bonds held in GBND. Betashares does not warrant the accuracy or completeness of this information. The actual use of proceeds may differ due to changes in circumstances over time.

# 6 Investment process

Betashares suite of funds offer a broad range of investment strategies designed to give investors access to investment markets, sectors, or themes in an efficient and cost-effective manner. Some of these strategies specifically target ESG-related themes or employ negative and norms-based screens. In all instances, we seek to be transparent as to the extent to which ESG considerations are incorporated into product design, portfolio construction and security selection processes.

In our Ethical & Responsible Investment funds, the rules and guidelines that govern how each of the single asset class funds invests are described in detail in the index methodology associated with the fund. You can find the index methodology for each fund on the Betashares website. Because our diversified funds invest solely in the single asset class funds, the ESG characteristics of the diversified funds match the characteristics of these underlying funds.

## Negative, Norms-based and Positive Screening

The index rules for our Ethical & Responsible funds incorporate 'negative screening', 'norms-based screening' and 'positive screening'. Negative screens are applied to the activities that the fund 'screens out', meaning that companies or issuers engaging in these activities are excluded from the index, and therefore consideration for investment by the funds. The use of comprehensive negative screens has the objective of excluding companies involved in activities with negative environmental or social impacts (noting dependent on the activity, materiality thresholds may be applied).

In 2023, we continued to work with our index providers to refine the negative screens for our ethical products. A list of the negative screens applied to our ethical products is included in Appendix A.

Norms-based screening aims to exclude companies that do not meet minimum standards of business practice based on international norms and conventions. These are documented in treaties and conventions such as the 10 principles of the UN Global Compact, the UN Declaration of Human Rights, the International Bill of Human Rights, and the OECD Guidelines for Multinational Enterprises. Norms-based screening is usually, although not always, done on a reactionary basis following a controversy that has come to light. In our ethical suite of products, the RIC continually monitors portfolios for controversy (see below).

Negative screening can be combined with positive screens to preference companies with positive ESG factor exposures.

In our ethical suite of products, while positive screening varies between funds, the purpose and philosophy is the same: to weight the portfolios towards companies and issuers that are contributing to a more sustainable future. In ETHI, we favour climate leaders, being those companies operating with a carbon intensity (measured as tons of CO2 emitted per US million dollars of revenue) that is superior to their industry peers.

In FAIR, preference is given to companies that have been identified as 'Sustainability Leaders'. The criteria for classifying companies as Sustainability Leaders have been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying targets. GBND favours 'green bonds', being bonds that have been issued specifically to fund projects with environmental or climate benefits. GBND uses the Climate Bond Initiative Climate Bonds Taxonomy in determining which green bonds are eligible for index inclusion.

The negative and positive screens, as set out in the index rules, are what drive the additions to, and deletions from, our ethical funds.

Set out on the next page is a sample of companies selected for investment, or screened out, during 2023, as a result of the investment process described above.

## Sample of companies

Screened out	Included
<p><b>UBS Group (UBSG):</b> The company was excluded under the fossil fuels screen due to its recent acquisition of Credit Suisse, which is a top European financier of the fossil fuels industry.</p>	<p><b>Neuren Pharmaceuticals (NEU):</b> Neuren Pharmaceuticals has commenced developing new therapies for highly debilitating neurodevelopmental disorders that emerge in early childhood and are characterised by impaired connections and signalling between brain cells.</p>
<p><b>RELX (REL):</b> The company was excluded under the human rights screen as new data showed that its product LexisNexis is used to locate and identify persons targeted by U.S. Immigration and Customs Enforcement for arrest and deportation.</p>	<p><b>Nordea Mortgage Bank Plc (NDASS) :</b> Nordea Mortgage Bank Plc issued its first Finnish covered green bond in November 2022. Nordea plans to use the proceeds to finance the construction of zero-energy buildings, and conducting major renovations that lead to the reduction of energy demand of at least 30%.</p>
<p><b>Plug Power Inc. (PLUG):</b> The company was excluded under the controversy screen as its directors are facing allegations of corporate governance failures, such as potential insider trading related charges.</p>	<p><b>Homeco Daily Needs REIT (HDN):</b> The company had published new information to confirm that the average NABERs ratings for its portfolio met the requirements of the 'green buildings' positive screen.</p>
<p><b>Hennes &amp; Mauritz AB (HMB):</b> The company was excluded under the controversy screen as it faces several allegations of human rights abuses within its supply chain</p>	<p><b>Verisk Analytics, Inc. (VRSK):</b> The company divested the part of its business which provided services to fossil fuel companies.</p>
<p><b>Cleanaway Waste Management Ltd (CWY):</b> The company was excluded under the controversy screen for worker health and safety related matters.</p>	<p><b>Keysight Technologies (KEYS):</b> New data showed services to armaments and militarism related matters accounted for less than 5% of revenue.</p>



# Responsible Investment Committee (RIC)

Under the index rules for our ethical funds (FAIR, ETHI, GBND), the responsibility for applying negative and norms-based screening rests with the RIC. The RIC also determines the proxy voting policies of the funds and drives corporate engagement efforts.

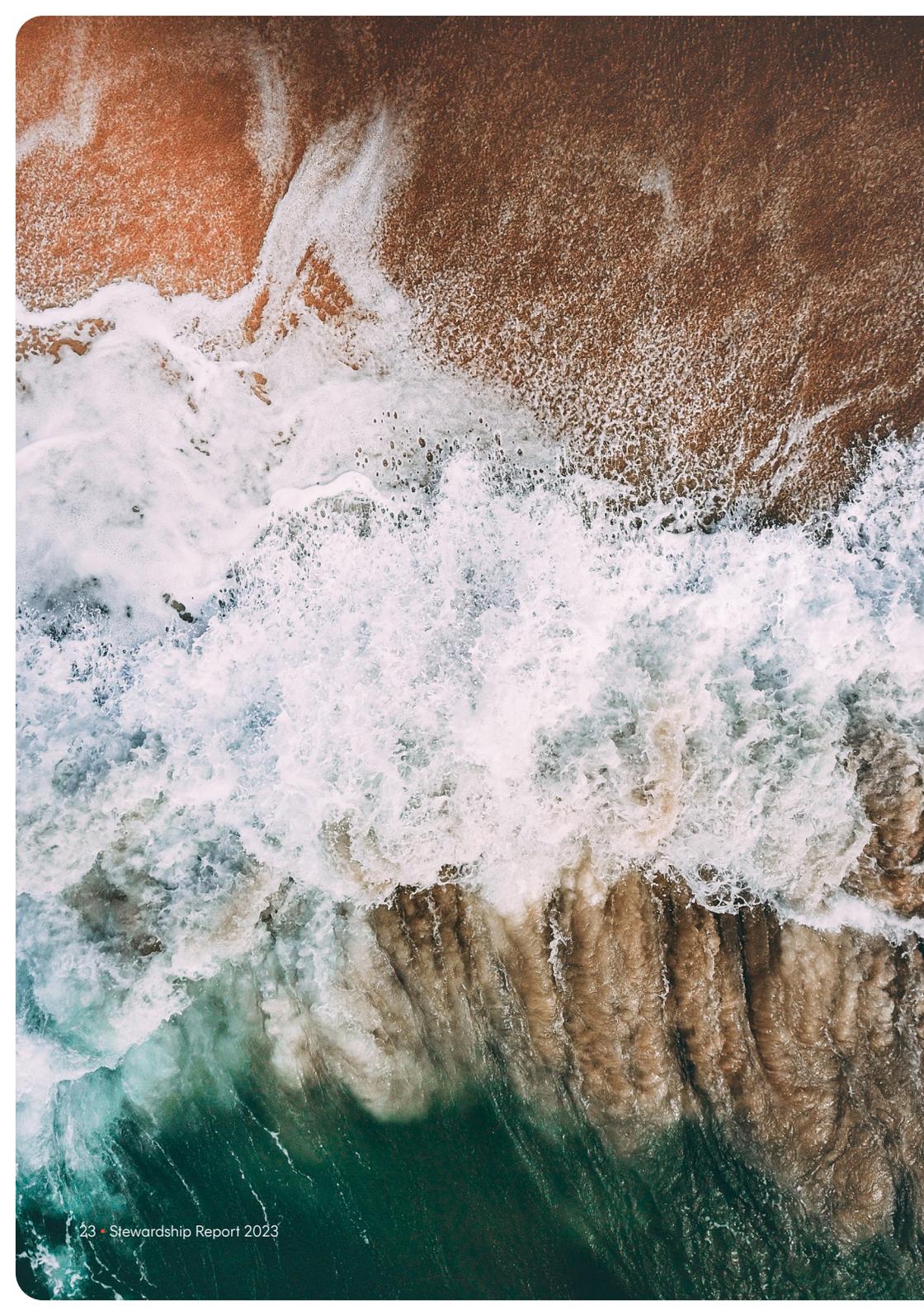
The RIC comprises one Betashares representative and two external representatives with experience and expertise in responsible investing. As at 31 March 2024 the membership of the RIC is:

- **Greg Liddell (Chair)**  
Director – Responsible Investment, Betashares
- **Kylie Charlton**  
Managing Director, Australian Impact Investments
- **Emily Flood**  
Chief Impact Officer, Future Super

In the application of negative and norms-based screens, the RIC uses a range of information sources including commercial data providers, as well as information provided by supra-national, government and non-government organisations. These include United Nations committees and special rapporteurs, organisations such as Monitor, Human Rights Watch, Amnesty International, WWF, Urgewald (Exit Coal), and As You Sow, as well as mainstream and specialist media organisations.

# 7 Key relationships

Index providers		Solactive is a German-based index provider that develops tailor-made index solutions for leading global asset managers and investment banks. It is a key provider for our ethical suite of products.
		Nasdaq Inc is an American multinational business which operates an index provider business and owns and operates three stock exchanges in the US and seven European stock exchanges. It is a key index provider for our ethical suite of products.
ESG research partners		Holon IQ is the world-leading research and analytics platform for the global impact economy.
		iClima Earth is a London-based research provider specialising in climate and decarbonisation measurement and quantification methodologies.
		Institutional Shareholder Services (ISS) is a leading provider of corporate governance, proxy voting, and responsible investment solutions.
Data partners		Bloomberg is one of the world's largest financial software and data companies.



## Modern Slavery

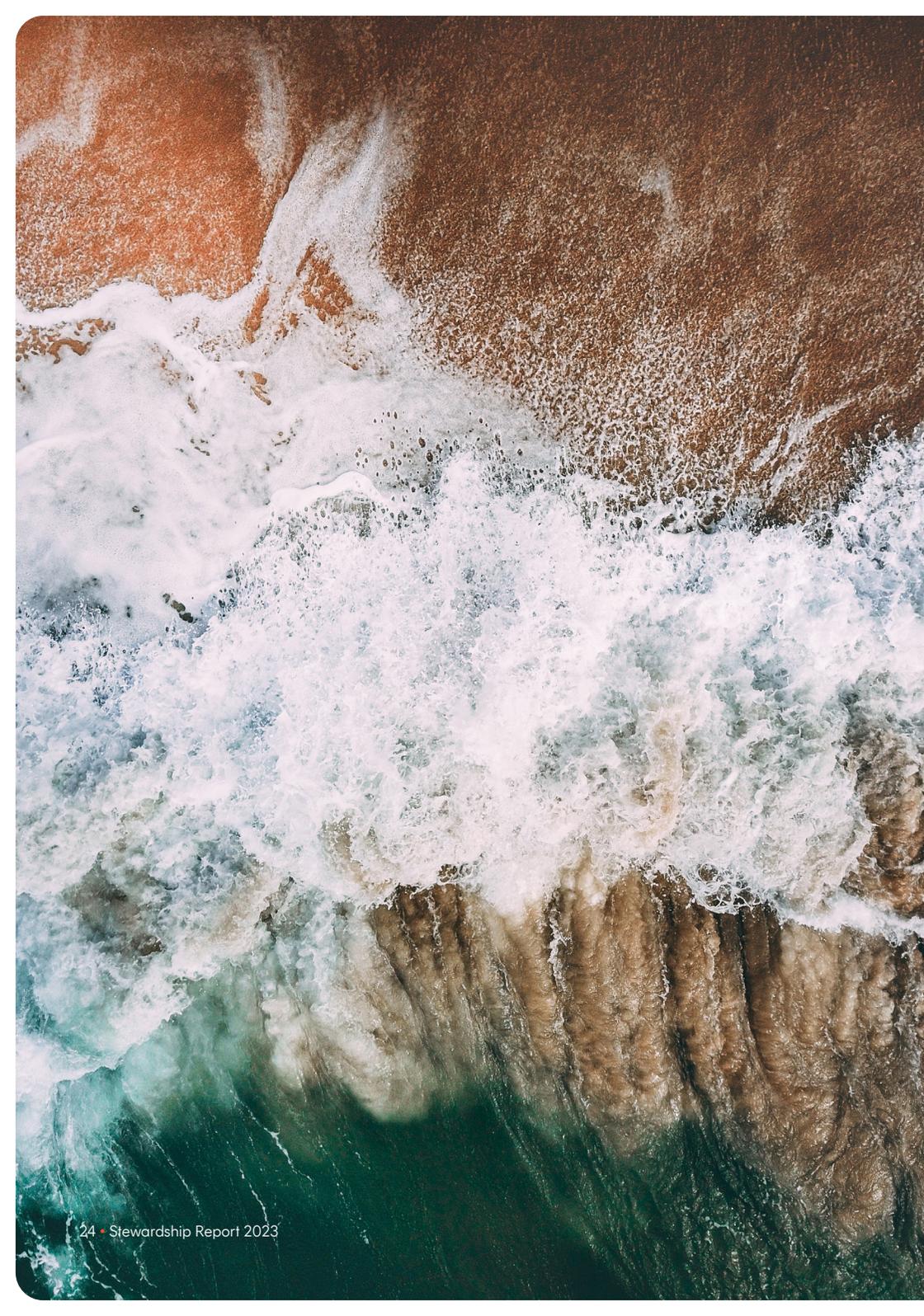
Betashares is committed to identifying, monitoring and mitigating modern slavery risks within our business and supply chains.

Modern slavery involves serious forms of exploitation such as trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.

We understand modern slavery can occur in many forms, including human trafficking and forced labour. Betashares takes a risk-based approach to identifying, mitigating and managing modern slavery risks that may be present within its supply chain.

Our approach to reducing the risk of modern slavery within our supply chain and our operations is guided by the UN Guiding Principles on Business and Human Rights and the United Nations Global Compact.

More information on how we approach modern slavery as outlined in our modern slavery statement which is included in Appendix C.



# 8 Conflicts of interest

Betashares is aware of its fiduciary duty to clients, and in this context the importance of managing Conflicts of Interest (COI) and ensuring investors maintain confidence in us.

We have developed a COI framework that seeks to identify, assess and manage all COI identified within our business operations. For example, we have implemented ongoing COI staff training, and each identified COI is assessed on its own merit with appropriate controls implemented that are reviewed on an ongoing basis.

In the interest of independence, the COI framework is overseen by our compliance function.

# 9 Engagement

The Betashares investment process is designed to ensure that funds invest in a manner which is transparent and rules-based\*. In our ethical suite of products, we endeavour to ensure we only invest in companies whose business operations meet the strict ethical rules and guidelines described in the index methodology.

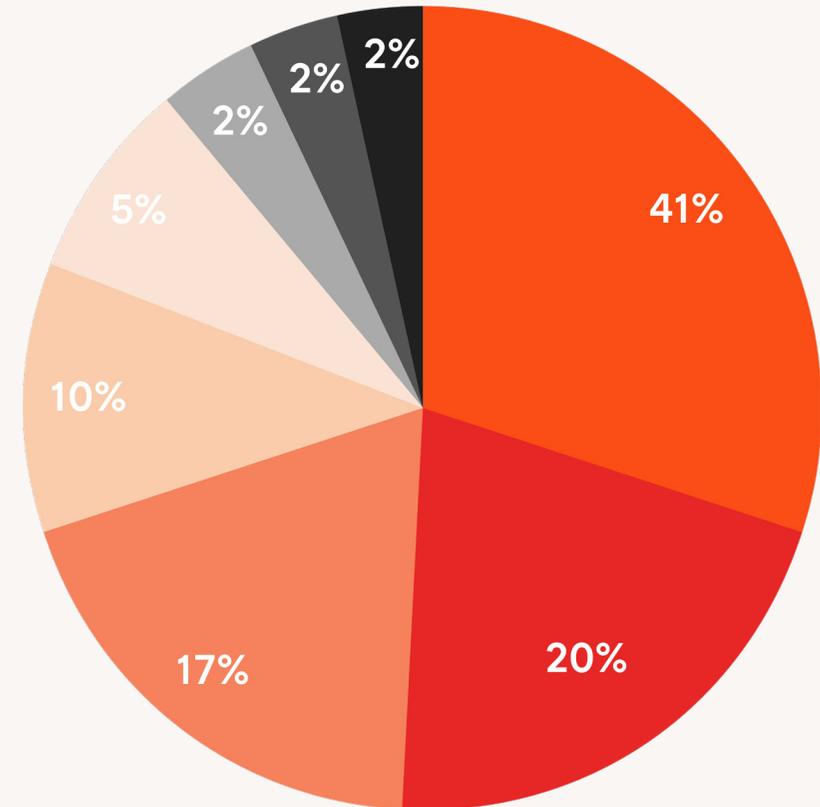
With particular regard to our ethical products, we tailor our approach to engagement to ensure alignment with the values implicit in the index construction methodology and the expectations of our investors.

In 2023, we continued to have a high level of engagement with the companies in our ethical product suite. We also increased the level of engagement with companies held outside that suite of products.

Our approach to engagement depends in each case on the unique situation that has prompted the interaction. Our strategy takes into account the company's track record, how proactive it has been in response to the issue, and how willing it is to engage with us.

Some examples of our engagement efforts in 2023 are set out in the case studies on the next page.

## Betashares engagement 2023



- Engagement on human rights
- Failure to mitigate climate change impacts
- Promoting good governance and accountability
- Failure to protect human rights in supply chains
- Failure to mitigate climate change impacts
- Promoting gender diversity
- Failure to protect human rights in the workplace
- Promoting sustainability in supply chains

\*Excluding our active ETFs where management is outsourced to active managers.

## Case studies

### Woolworths Green Bond

Woolworths-issued securities have not been eligible for inclusion in Betashares' ethical funds due to the company's revenue from tobacco sales, which exceeded the 5% revenue threshold. In the 2022-23 fiscal year, Woolworths' revenue from tobacco sales fell below the 5% threshold, reflecting a decline in cigarette smoking.

In 2019, Woolworths issued a \$400 million green bond. The RIC reviewed the bond's eligibility for inclusion in the index tracked by the Betashares Sustainability Leaders Diversified Bond ETF – Currency Hedged (ASX: GBND). The majority of the bond's proceeds are allocated to existing supermarket leases. The bond was certified to the Climate Bond Institute's (CBI) Climate Bond Standard (the Standard), with assurance provided by EY. At the time of the bond's issuance, building leases were not an allowable use of proceeds (UoP) for a certified climate bond. Building leases were added to a subsequent revision of the standard eight months after the bond was issued.

We wrote to Woolworths advising them that, in our view, there were no climate or environmental benefits associated with the application of the UoP to existing leases. Subsequently, we participated in collaborative engagement with CBI during which we expressed concerns about the probity surrounding the development of the CBI Low Carbon Building - Supermarkets Standard and the alteration of the overarching Standard to permit building leases as a UoP. We expressed our view that EY should not have provided assurance that the bond met the Standard and requested that certification of the bond be withdrawn. Unfortunately, that request was rejected by CBI.

Following our engagement with Woolworths and CBI, the Environmental Defenders Office wrote to the Australian Securities and Investments Commission (ASIC), detailing issues of concern with the Woolworths green bond, EY's assurance, and CBI's certification of the bond. The letter may be found [here](#).

The Betashares Responsible Investment Committee rejected the Woolworths Green Bond as an eligible security for GBND.

### BMW AG

Managem, a supplier to BMW, has been accused of poor health and safety practices for its workers. Workers claim that they are not provided with proper safety equipment and are exposed to toxic dust. Cobalt and arsenic, which is commonly present in cobalt ores, are carcinogenic, and chronic exposure to arsenic causes skin, lung

and bladder cancers, neurological and cardiovascular diseases, and reproductive disorders. We wrote to BMW to seek clarification on the policies and procedures it follows relating to the health and safety for workers in its supply chain. In response, BMW stated that it has commissioned two external audits of the supplier's workplace practices relating to health and safety, including a review of the supplier's social and environmental policies, and will decide next steps based on the outcomes from the audits. We will continue to engage with BMW and encourage them to improve their policies and procedures relating to health and safety for the workers in its supply chain.

### Booking Holdings, Expedia Group

Both Booking Holdings and Expedia Group operate in diverse geographic locations across the world including those categorized as Conflict-Affected and High-Risk Areas (CAHRA). CAHRA are often characterised by significant human rights challenges. Companies with business activities in such areas may cause, contribute to, or be linked with violations of national and/or international law, or fail to uphold voluntary corporate commitments, resulting in heightened risks to local communities, travellers, suppliers, and shareholders.

According to the US Sustainable Investment Forum's 2022 Trends Report, "conflict risk" was a leading environmental, social, and governance criterion among institutional investors representing over U\$3.28 trillion in assets under management.

We wrote to Booking Holdings and Expedia Group requesting transparency on its approach to identify, assess, and mitigate potential human rights risks relating to business activities in CAHRA.

### Commonwealth Bank of Australia (CBA)

Australia's big four banks have lent billions of dollars to the fossil fuel industry over the past few years. CBA, which was Australia's largest fossil fuel lender between 2016-2020, has dramatically reined in its lending to provide the least finance to fossil fuels of the big four banks over the last three years. CBA also announced significant changes to its fossil lending policies. We met with CBA to seek more information on their approach to fossil fuel lending.

CBA has significantly reduced its fossil fuel financing activities and ceased all project finance for fossil fuel exploration and production as well as corporate finance for companies that generate more than 25% of revenue from thermal coal.

From 2025 all lending to fossil fuel related entities will be subject to published, scientifically based transition plans. CBA has set financed emissions targets for most sectors.

Several of the more challenging sectors are expected to be updated in the 2024 policy update, namely: Transport, Agriculture and Construction. They reported work is advancing in these areas. CBA has set an objective of establishing emission reduction targets covering 75% of its financed emissions by 2025.

## Roblox Corp

Founded in 2006, Roblox has grown to become a prominent online gaming platform with nearly 60% of its user base being 16 years of age or younger. In 2023, the National Centre on Sexual Exploitation (NCOSE) included Roblox in its Dirty Dozen list as a major contributor to child sexual exploitation and abuse.

The NCOSE has outlined serious concerns relating to child safety measures available on the platform which in turn has led to the proliferation of harmful content and predatory behaviour targeting Roblox's user base.

We wrote to Roblox seeking to understand its approach to community safety and to encourage them to implement measures to improve the safety of underage users on its platform.

## Suncorp

A report by the Australian Conservation Foundation (ACF) alleged that Suncorp, along with other Australian banks, has significant exposure to potential illegal deforestation in Queensland. The report claimed that more than 364,000 hectares of native vegetation cleared in Queensland from 2018 to 2020 had a significant impact on a listed threatened species or ecological community - and was done without federal approval, making it potentially illegal.

We wrote to Suncorp to seek clarification on their exposure and understand their approach to identify, assess, and mitigate risks arising from nature and biodiversity exposures. Suncorp responded and said that their sustainability team is currently focused on developing their climate framework and while they acknowledge the growing risk from a nature and biodiversity perspective, the company hasn't developed any policy or framework around it. We will continue to engage with Suncorp and keep track of its progress towards developing a risk assessment framework for nature and biodiversity risks.

## Amazon.com

In 2019, Amazon co-founded and signed the Climate Pledge – a seemingly ambitious commitment to reach net zero emissions by 2040 – ten years ahead of what is required to meet the goals of the Paris Agreement. In 2022, an estimated \$591bn worth of products were sold through Amazon's platform and around 19 billion products were packed and shipped globally. The company operates a massive network of warehouses, data centres, and delivery trucks that consume enormous amounts of energy and generate large volumes of greenhouse gas emissions.

However, according to estimates, Amazon is excluding a significant proportion of its emissions from reporting, as it does not appear to report on some categories of Scope 3 emissions completely.

We participated in a collaborative engagement with several other investors across the globe that included writing a letter to Amazon requesting them to provide more transparency and granular reporting on its reporting in relation to Scope 3 emissions.

Amazon acknowledged the investor letter and responded that it continues to disclose its carbon emissions in a manner consistent with external reporting standards. Amazon noted that more than 60% of sales in Amazon's store are from independent third-party sellers who control their own carbon emissions accounting. These products are not goods that Amazon have purchased, and Amazon is not the seller in these transactions, and therefore it does not include the emissions associated with the manufacturing or customer use of those products within its Scope 3 emissions.

Amazon failed to address concerns relating to high-level aggregate disclosures which make comparisons difficult and the fact that Amazon's Scope 3 data only includes Amazon-branded products and excludes products which are not Amazon-branded. The investor group collaborating on this engagement has decided to continue engaging with Amazon to resolve these outstanding issues.

# 10 Voting

We have undertaken proxy voting across a number of our equity funds, with the exception of those products where their small size makes it uneconomical to do so, we vote proxies in accordance with a policy specifically designed to align with UN PRI stewardship frameworks.

In relation to the ETHI, FAIR and ERTH ETFs, our policy is to vote on ESG-related shareholder resolutions in a way that is consistent with the values embodied in the index rules for each fund. We apply a somewhat more progressive proxy voting policy in these products.

The table below provides details of our voting on shareholder and ESG related resolution for FAIR, ETHI and ERTH. We voted in favour of shareholder resolutions across a range of issues, including seeking to require companies to adopt or improve climate-related or sustainability-related disclosure, increase gender pay transparency, report on political donations and lobbying, and report on animal welfare.

In the year to December 2023, we voted on more than 100 shareholder-initiated ESG-related resolutions, of which we supported 67% of the resolutions. The table below provides additional information for all the ESG-related resolutions we voted on, including the rationale for our voting decisions\*.

Note that Betashares publishes a full listing of all proxies voted at the end of each financial year.

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\* There is no direct voting activity within HETH or the Diversified funds since these funds do not hold equities directly, rather they invest in FAIR, ETHI and GBND as relevant. Similarly, voting is a right that attaches to equity ownership, so GBND (which holds bonds) does not participate in shareholder voting activities.

# Betashares ESG-Related Proxy Voting Report – year ending December 2023

## Betashares Global Sustainability Leaders ETF (ASX: ETHI)

## Betashares Australian Sustainability Leaders ETF (ASX: FAIR)

## Betashares Climate Change Innovation ETF (ASX: ERTH)

This report summarises the proxy voting record for the named funds in relation to ESG-related resolutions only.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
AbbVie Inc.	ABBV	05-May-23	Adopt Simple Majority Vote	Against	For	A vote 'FOR' this proposal was warranted as the elimination of supermajority vote requirements would improve shareholder rights.
AbbVie Inc.	ABBV	05-May-23	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.
AbbVie Inc.	ABBV	05-May-23	Report on Lobbying Payments and Policy	Against	For	A vote 'FOR' this resolution was warranted, as additional reporting on the company's lobbying practices and policies, including its trade association memberships and payments, would benefit shareholders in assessing its management of related risks.
AbbVie Inc.	ABBV	05-May-23†	Report on Impact of Extended Patent Exclusivities on Product Access	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from more robust disclosure of the company's processes and oversight mechanisms for managing risks related to anti-competitive practices.
Adobe Inc.	ADBE	20-Apr-23	Report on Hiring of Persons with Arrest or Incarceration Records	Against	For	A vote 'FOR' this proposal was warranted as it would enable shareholders to understand how the company is assessing and managing the progress of its various diversity and inclusion initiatives.
Advance Auto Parts, Inc.	AAP	24-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
American Express Company	AXP	02-May-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	For	A vote 'FOR' this item was warranted as it enables shareholders to have a say on the payout of severance amounts that exceed market norms, while offering the flexibility for the Board to seek shareholder approval of a new or renewed severance arrangement.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>American Express Company</b>	AXP	02-May-23	Report on Risks Related to Fulfilling Information Requests for Enforcing Laws Criminalizing Abortion Access	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure on the potential risks and costs associated with the fulfilment of information requests for the enforcement of state laws related to reproductive rights would allow shareholders to assess how the company is managing such risks.
<b>American Water Works Company, Inc.</b>	AWK	10-May-23	Oversee and Report a Racial Equity Audit	Against	For	A vote 'FOR' this proposal was warranted, as an independent racial equity justice audit would help shareholders better assess the effectiveness of the company's efforts to address racial inequity.
<b>Apple Inc.</b>	AAPL	10-Mar-23	Report on Civil Rights and Non-Discrimination Audit	Against	Against	A vote 'AGAINST' this resolution was warranted as the company provides adequate disclosures related to its diversity, equity, and inclusion initiatives and commitments.
<b>Apple Inc.</b>	AAPL	10-Mar-23	Report on Operations in Communist China	Against	Against	A vote 'AGAINST' this proposal was warranted as the company provides shareholders with sufficient disclosure to assess its management of risks relating to operating in China.
<b>Apple Inc.</b>	AAPL	10-Mar-23	Adopt a Policy Establishing an Engagement Process with Proponents to Shareholder Proposals	Against	For	A vote 'FOR' this resolution was warranted as it would increase shareholder engagement and encourage Board responsiveness and accountability.
<b>Apple Inc.</b>	AAPL	10-Mar-23	Report on Median Gender/Racial Pay Gap	Against	For	A vote 'FOR' this proposal was warranted, as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.
<b>Apple Inc.</b>	AAPL	10-Mar-23	Amend Proxy Access Right	Against	For	A vote 'FOR' this proposal was warranted, as the proposed amendment would enhance the company's existing right for shareholders while maintaining necessary safeguards relating to the nomination process.
<b>Applied Materials, Inc.</b>	AMAT	09-Mar-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.
<b>Applied Materials, Inc.</b>	AAPL	09-Mar-23	Improve Executive Compensation Program and Policy	Against	For	A vote 'FOR' this resolution was warranted. Inclusion of CEO pay ratio and voices from employees as a guiding principle of executive compensation could allow for more informed and contextual assessments by investors as to whether the company's executive compensation practices are reasonable and fair and aligned with shareholders' long-term interests.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>ASX Limited</b>	ASX	19-Oct-23	Elect Philip Galvin as Director	Against	Against	A vote 'AGAINST' election of a non-board endorsed nominee Philip Galvin was warranted, as the company disclosed that the Board has carefully considered his nomination and believes that his appointment would not satisfy the overall skills and experience threshold.
<b>Badger Meter, Inc.</b>	BMI	28-Apr-23	Report on Hiring of Persons with Arrest or Incarceration Records	Against	For	A vote 'FOR' this proposal was warranted as it would enable shareholders to understand how the company is assessing and managing the progress of its various diversity and inclusion initiatives.
<b>Bio-Rad Laboratories, Inc.</b>	BIO	25-Apr-23	Report on Political Contributions and Expenditures	Against	For	A vote 'FOR' this resolution was warranted, as disclosure of the company's indirect political contributions through all trade associations and other tax-exempt organisations could help shareholders evaluate the company's management of related risks and benefits.
<b>Booking Holdings Inc.</b>	BKNG	06-Jun-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	Against	A vote 'AGAINST' this item was warranted as the company recently enhanced its severance policies, ensuring that any future cash severance payments absent shareholder approval will be at a reasonable basis.
<b>BorgWarner Inc.</b>	BWA	26-Apr-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.
<b>BorgWarner Inc.</b>	BWA	26-Apr-23	Report on Just Transition	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure would help investors better understand how the company plans to reduce its emissions and manage its transition to a low carbon economy.
<b>Bristol-Myers Squibb Company</b>	BMY	02-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
<b>Bristol-Myers Squibb Company</b>	BMY	02-May-23	Commission a Civil Rights and Non-Discrimination Audit	Against	Against	A vote 'AGAINST' this resolution was warranted as the company provides adequate disclosures related to its diversity, equity, and inclusion initiatives and commitments.
<b>Bristol-Myers Squibb Company</b>	BMY	02-May-23	Amend Right to Call Special Meeting	Against	For	A vote 'AGAINST' this proposal was warranted as the special meeting right may only be utilised by shareholders of record.
<b>Bubs Australia Ltd.</b>	BUB	27-Jul-23	Remove Paul Jensen as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Bubs Australia Ltd.	BUB	27-Jul-23	Remove Steve Lin as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
Bubs Australia Ltd.	BUB	27-Jul-23	Remove Reg Weine as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
Bubs Australia Ltd.	BUB	27-Jul-23	Remove Katrina Rathie as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
Bubs Australia Ltd.	BUB	27-Jul-23	Elect James Jackson as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
Bubs Australia Ltd.	BUB	27-Jul-23	Elect Peter Nathan as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
Bubs Australia Ltd.	BUB	27-Jul-23	Elect Rupert Soar as Director	Against	Against	A vote 'AGAINST' was warranted as the proposal lacked a detailed case for change from the dissident, pending legal procedures and the upcoming AGM in four months, as well as the potential conflict of interests arising from the election of the dissident nominees.
BYD Company Limited	1211	19-Sep-23	Elect Huang Jiang-feng as Supervisor	For	For	A vote 'FOR' the election of supervisor nominees was warranted given the absence of any known issues concerning the nominees.
Capital One Financial Corporation	COF	04-May-23	Adopt Simple Majority Vote	Against	For	A vote 'FOR' this proposal was warranted as the elimination of supermajority vote requirements would improve shareholder rights.
Capital One Financial Corporation	COF	04-May-23	Report on Board Oversight of Risks Related to Discrimination	Against	Against	A vote 'AGAINST' this resolution was warranted as the company currently provides adequate disclosures.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Capital One Financial Corporation	COF	04-May-23	Disclose Board Skills and Diversity Matrix	Against	For	A vote 'FOR' this resolution was warranted as a board skills matrix would enhance transparency and enable shareholders to assess the quality of the company's board.
Centene Corporation	CNC	10-May-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	Against	A vote 'AGAINST' this proposal was warranted as the company's policy limits cash severance to a reasonable basis absent shareholder approval, and no significant concerns are identified with respect to the company's broad-based equity award treatment.
Centene Corporation	CNC	10-May-23	Report on Maternal Morbidity Reduction Metrics in Executive Compensation	Against	For	A vote 'FOR' this proposal was warranted as incorporating maternal morbidity metrics as a component of senior executive pay structures would incentivise executives to work towards improving equality within healthcare outcomes.
Cognizant Technology Solutions Corporation	CTSH	06-Jun-23	Amend Bylaws	Against	Against	A vote AGAINST this proposal was warranted as the proposal may restrict the board's ability to amend the bylaws which may not be in the best interest of shareholders.
Cognizant Technology Solutions Corporation	CTSH	06-Jun-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	Against	A vote 'AGAINST' this proposal was warranted as the company recently adopted a policy which limits cash severance to a reasonable basis and requires shareholder approval for agreements that contain cash severance above that limit.
CoStar Group, Inc.	CSGP	08-Jun-23	Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Against	For	A vote 'FOR' this proposal was warranted, as shareholders would benefit from increased transparency on the company's efforts to manage the risks and opportunities associated with climate change and the transition to a low-carbon economy.
CVS Health Corporation	CVS	18-May-23	Adopt a Paid Sick Leave Policy	Against	For	A vote 'FOR' this proposal was warranted as the requested report would provide shareholders with a better understanding of the company's policies and practices regarding employee health and well-being.
CVS Health Corporation	CVS	18-May-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.
CVS Health Corporation	CVS	18-May-23	Amend Bylaws to Require Shareholder Approval of Certain Provisions Related to Director Nominations by Shareholders	Against	Against	A vote 'AGAINST' this proposal was warranted as the company currently discloses its policies and procedures that existing directors must follow in order to join another private or public board.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
CVS Health Corporation	CVS	18-May-23	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights	Against	For	A vote 'FOR' this proposal was warranted as an independent third-party assessment would help shareholders assess various allegations related to freedom of association and collective bargaining and the company's management of any associated risks.
CVS Health Corporation	CVS	18-May-23	Adopt Policy Prohibiting Directors from Simultaneously Sitting on the Board of Directors of Any Other Company	Against	Against	A vote 'AGAINST' this proposal was warranted as the company currently discloses its policies and procedures that existing directors must follow in order to join another private or public board.
Danske Bank A/S	DANSKE	16-Mar-23	Elect Michael Strabo as New Director	Abstain	Abstain	A vote to 'ABSTAIN' from this proposal was warranted because the proposal lacked information and a compelling rationale to support the candidacy. The shareholder fails to provide a compelling rationale to support his candidacy.
Danske Bank A/S	DANSKE	16-Mar-23	Elect Caroline Bessermann as New Director	Abstain	Abstain	A vote to 'ABSTAIN' from this proposal was warranted because the proposal lacked information and a compelling rationale to support the candidacy. The shareholder fails to provide a compelling rationale to support his candidacy.
Danske Bank A/S	DANSKE	16-Mar-23	Climate Action Plan: Asset Management Policy	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure would help investors assess how the company plans to reduce its emissions and manage its transition to a low carbon economy.
Danske Bank A/S	DANSKE	16-Mar-23	Climate Action Plan: Existing Investments	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure would help investors assess how the company plans to reduce its emissions and manage its transition to a low carbon economy.
Ecolab Inc.	ECL	04-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
Edwards Lifesciences Corporation	EW	11-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
Elevance Health, Inc.	ELV	10-May-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.
Elevance Health, Inc.	ELV	10-May-23	Annually Report Third Party Political Contributions	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Etsy, Inc.</b>	ETSY	14-Jun-23	Commission Independent Review of Effectiveness of Efforts to Prevent Harassment and Discrimination	Against	For	A vote 'FOR' this proposal was warranted as additional information on the company's sexual harassment and discrimination policies and its implementation would help shareholders assess how the company is addressing associated risks.
<b>Fiserv, Inc.</b>	FISV	17-May-23	Require Independent Board Chairman	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
<b>Ford Motor Company</b>	F	11-May-23	Approve Recapitalization Plan for all Stock to Have One-vote per Share	Against	For	A vote 'FOR' this proposal was warranted, as it would provide shareholders of the company with equal voting rights on all voting items.
<b>Ford Motor Company</b>	F	11-May-23	Report on Reliance on Child Labor in Supply Chain	Against	For	A vote 'FOR' this proposal was warranted, as additional information on the company's efforts to eliminate child labor from its supply chain would enable investors to assess how the company is managing human rights-related risks in its supply chain.
<b>Ford Motor Company</b>	F	11-May-23	Report on Animal Testing Practices	Against	For	A vote 'FOR' this proposal was warranted as the adoption of this proposal will help minimize the possibility of any potential controversies that may lead to financial liability and mitigate the company's exposure to any risks associated with the use of animals in vehicle testing.
<b>Gilead Sciences, Inc.</b>	GILD	03-May-23	Require More Director Nominations Than Open Seats	Against	Against	A vote 'AGAINST' this proposal was warranted, as the proponent has not made a compelling case that the proposed change in the director election process would improve the composition of the board or the performance of the company.
<b>Gilead Sciences, Inc.</b>	GILD	03-May-23	Amend Right to Call Special Meeting	Against	Against	A vote 'AGAINST' this proposal was warranted as the existing policy and procedure in place is consistent with SEC requirements.
<b>Gilead Sciences, Inc.</b>	GILD	03-May-23	Report on Impact of Extended Patent Exclusivities on Product Access	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from more robust disclosure of the company's processes and oversight mechanisms for managing risks related to anti-competitive practices.
<b>H&amp;M Hennes &amp; Mauritz AB</b>	HM.B	04-May-23	Request Board to Initiate Plan for Launching Clothing with Fairtrade Label	None	For	A vote 'FOR' this proposal was warranted as the proposal aims to improve the sustainability credentials of the company.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>H&amp;M Hennes &amp; Mauritz AB</b>	HM.B	04-May-23	Request Company to Negotiate with Unions and Suppliers to Establish and Manage (i) Wage Assurance Account, (ii) Severance Claims Account, and (iii) Administration and Enforcement Account	None	For	A vote 'FOR' this item was warranted as the proposal address concerns relating to the worker payments during the pandemic.
<b>H&amp;M Hennes &amp; Mauritz AB</b>	HM.B	04-May-23	Request Company to Disclose Exposure to and Risks of Sourcing GM Cotton, and Set Targets to Decrease Exposure to GM Cotton and Increase Sourcing of Organic Cotton	None	For	A vote 'FOR' this item was warranted, as the company's level of sustainability disclosure could benefit from further inclusion of biodiversity preservation with regard to GMOs.
<b>H&amp;M Hennes &amp; Mauritz AB</b>	HM.B	04-May-23	Report on Slaughter Methods Used in H&M Supply Chain	None	For	A vote 'FOR' this proposal was warranted as greater transparency on policies and practices regarding animal slaughter methods should benefit shareholders. The report would also help to ensure that animal welfare is protected through industry collaboration and supplier engagement.
<b>HP Inc.</b>	HPQ	24-Apr-23	Provide Right to Act by Written Consent	Against	For	A vote 'FOR' this proposal was warranted as the ability to act by written consent would enhance shareholder rights.
<b>Illinois Tool Works Inc.</b>	ITW	05-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent Board chair
<b>Laboratory Corporation of America Holdings</b>	LH	11-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
<b>Laboratory Corporation of America Holdings</b>	LH	11-May-23	Report on Transport of Nonhuman Primates Within the U.S.	Against	For	A vote 'FOR' this resolution was warranted as shareholders would benefit from additional disclosure on how the company aims to mitigate risks related to animal welfare in its transport of non-human primates.
<b>Mastercard Incorporated</b>	MA	27-Jun-23	Report on Overseeing Risks Related to Discrimination	Against	Against	A vote 'AGAINST' this resolution was warranted as the company provides adequate disclosures related to its anti-discrimination policies.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Mastercard Incorporated	MA	27-Jun-23	Report on Establishing Merchant Category Code for Gun and Ammunition Stores	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from further information regarding clarified goals and progress towards implementing changes relating to the adoption of the merchant category code (MCC) for gun and ammunition stores, despite numerous public commitments from the company.
Mastercard Incorporated	MA	27-Jun-23	Report on Lobbying Payments and Policy	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure of the company's direct and indirect lobbying-related expenditures would help shareholders assess the risks and benefits associated with the company's participation in the public policy process.
Mastercard Incorporated	MA	27-Jun-23	Amend Bylaws to Require Shareholder Approval of Certain Provisions Related to Director Nominations by Shareholders	Against	Against	A vote 'AGAINST' this proposal was warranted as the company currently discloses its policies and procedures that existing directors must follow in order to join another private or public board.
Mastercard Incorporated	MA	27-Jun-23	Report on Cost-Benefit Analysis of Diversity and Inclusion Efforts	Against	Against	A vote 'AGAINST' this proposal was warranted, as the company provides sufficient disclosure on the benefits of its diversity, equity, and inclusion efforts.
NetApp, Inc.	NTAP	13-Sep-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.
Nissan Motor Co., Ltd.	7201	27-Jun-23	Approve Alternative Allocation of Income, with a Final Dividend of JPY 15	Against	Against	A vote 'AGAINST' this proposal was warranted as the company operates in a net debt position.
Novo Nordisk A/S	NOVO.B	23-Mar-23	Product Pricing Proposal	Against	Against	A vote 'AGAINST' was warranted as the proposal is overly prescriptive and not in the best interest of shareholders.
OmnicomGroup Inc.	OMC	02-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
Paycom Software, Inc.	PAYC	01-May-23	Require a Majority Vote for the Election of Directors	Against	For	A vote 'FOR' this proposal was warranted as it would give shareholders a more meaningful voice in the election of directors and further enhance the company's corporate governance.
PayPal Holdings, Inc.	PYPL	24-May-23	Adopt a Policy on Services in Conflict Zones	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from enhanced disclosure relating to potential risks of operating in various global markets and its management and oversight of such risks. In addition, adoption of this proposal would serve to further enhance the company's management in addressing allegations of human rights issues including discrimination controversies and could serve to further safeguard shareholder value.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
PayPal Holdings, Inc.	PYPL	24-May-23	Report on Risks Related to Fulfilling Information Requests for Enforcing Laws Criminalizing Abortion Access	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure on the potential risks and costs associated with the fulfillment of information requests for the enforcement of state laws related to reproductive rights would allow shareholders to assess how the company is managing such risks.
PayPal Holdings, Inc.	PYPL	24-May-23	Report on Ensuring Respect for Civil Liberties	Against	Against	A vote 'AGAINST' this resolution was warranted as the company provides adequate disclosures related to its anti-discrimination policies
PayPal Holdings, Inc.	PYPL	24-May-23	Adopt Majority Vote Standard for Director Elections	Against	For	A vote 'AGAINST' this proposal was warranted. The scope of the proposal is unduly restrictive in that it does not provide the board an opportunity to address the underlying issue causing shareholders' dissatisfaction in lieu of the director's removal.
Prudential Financial, Inc.	PRU	09-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
Quest Diagnostics Incorporated	DGX	17-May-23	Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Against	For	A vote 'FOR' this proposal was warranted, as shareholders would benefit from increased transparency on the company's efforts to manage the risks and opportunities associated with climate change and the transition to a low-carbon economy.
Regeneron Pharmaceuticals, Inc.	REGN	09-Jun-23	Report on Impact of Extended Patent Exclusivities on Product Access	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from more robust disclosure of the company's processes and oversight mechanisms for managing risks related to anti-competitive practices.
Resideo Technologies, Inc.	REZI	07-Jun-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	For	A vote 'FOR' this proposal was warranted. While the company's current severance arrangements are within market practice, the implementation of a severance policy that generally requires shareholder approval of outsized severance payments would mitigate the risk of cash severance payments that are excessive or not in line with market norms.
Rivian Automotive, Inc.	RIVN	21-Jun-23	Adopt a Comprehensive Human Rights Policy	Against	For	A vote 'FOR' this proposal was warranted, as establishing a human rights policy would help investors determine how the company is managing and mitigating reputational, financial, legal, and regulatory risks related to human rights.
State Street Corporation	STT	17-May-23	Report on Asset Management Policies and Diversified Investors	Against	For	A vote 'FOR' this proposal was warranted, as reporting on the external costs created by not accounting for environmental and social factors would enable shareholders to assess the impact of the company's practices and management of related risks.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Stryker Corporation</b>	SYK	10-May-23	Report on Political Contributions and Expenditures	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.
<b>Sysco Corporation</b>	SYI	17-Nov-23	Adopt Policy to Eliminate or Reduce Gestation Crates in Pork Supply Chain	Against	For	A vote FOR this resolution is warranted. In light of regulatory developments and the company's lack of disclosure, shareholders would benefit from more information on the company's policies and practices related to reducing or eliminating the use of gestation crates in its pork supply chain.
<b>Tesla, Inc.</b>	TSLA	16-May-23	Report on Key-Person Risk and Efforts to Ameliorate It	Against	For	A Vote 'FOR' was warranted as the proposal highlights an important risk to the company and addresses the need for increased transparency on how the company plans to mitigate key-person departures, particularly with regards to their CEO.
<b>The Charles Schwab Corporation</b>	SCHW	18-May-23	Report on Gender/Racial Pay Gap	Against	For	A vote 'FOR' this proposal was warranted, as an independent racial equity justice audit would help shareholders better assess the effectiveness of the company's efforts to address racial inequity
<b>The Charles Schwab Corporation</b>	SCHW	18-May-23	Report on Risks Related to Discrimination Against Individuals Including Political Views	Against	Against	A vote 'AGAINST' this resolution was warranted as the company provides adequate disclosures related to its commitment to not discriminate, and there are no significant controversies related to refusal of service.
<b>The Cigna Group</b>	CI	26-Apr-23	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote FOR this proposal is warranted. Lowering the ownership threshold from 25 percent to 15 percent would improve shareholders' ability to use the special meeting right.
<b>The Cigna Group</b>	CI	26-Apr-23	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote FOR this proposal is warranted, as more comprehensive information comparing Cigna's public policy statements and its direct and indirect political contributions and nonprofit organization participation would enable shareholders to have a more comprehensive understanding of how the company oversees and manages risks from political activities conducted by its partners.
<b>The Hartford Financial Services Group, Inc.</b>	HIG	17-May-23	Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development	Against	For	A vote FOR this proposal is warranted because it would help shareholders better evaluate the company's management of climate risks from its lending and underwriting activities. Additionally, shareholders would benefit from a stronger alignment between the company's stated goals, its fossil fuel policy, and its actions regarding corporate responsibility.
<b>The Home Depot, Inc.</b>	HD	18-May-23	Reduce Ownership Threshold for Shareholders to Request Action by Written Consent	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
The Home Depot, Inc.	HD	18-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
The Home Depot, Inc.	HD	18-May-23	Report on Political Expenditures Congruence	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.
The Home Depot, Inc.	HD	18-May-23	Rescind 2022 Racial Equity Audit Proposal	Against	Against	A vote 'AGAINST' this resolution was warranted as it is contrary to principles of corporate governance practices that encourage companies to be responsive to shareholder proposals that are supported by a large percentage of the company's shareholders who voted at the annual meeting.
The Home Depot, Inc.	HD	18-May-23	Encourage Senior Management Commitment to Avoid Political Speech	Against	Against	A vote 'AGAINST' this proposal was warranted as there are no controversies related to senior executives political speech.
The Interpublic Group of Companies, Inc.	IPG	25-May-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
The TJX Companies, Inc.	TJX	06-Jun-23	Report on Third-Party Assessment of Human Rights Due Diligence in Supply Chain	Against	For	A vote 'FOR' this proposal was warranted, as it would provide shareholders with additional disclosure relating to the company's approach on managing human rights risk within the supply chain.
The TJX Companies, Inc.	TJX	06-Jun-23	Report on Risk from Supplier Misclassification of Supplier's Employees	Against	For	A vote 'FOR' this resolution was warranted, as it would provide shareholders with additional disclosures on potential risks arising from the misclassification of employees in the supply chain.
The TJX Companies, Inc.	TJX	06-Jun-23	Adopt a Paid Sick Leave Policy for All Employees		For	A vote 'FOR' this proposal was warranted, as it would enhance the company's commitments to employee health and well-being.
Toyota Motor Corp.	7203	14-Jun-23	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	Against	For	A vote 'FOR' this resolution was warranted as it would enable shareholders to assess if the company's lobbying activities are aligned with the Paris Agreement and any potential risks that could be associated with its lobbying activities.
UnitedHealth Group Incorporated	UNH	05-Jun-23	Report on Third-Party Racial Equity Audit	Against	For	A vote 'FOR' this proposal was warranted, as an independent racial equity justice audit would help shareholders better assess the effectiveness of the company's efforts to address racial inequity

Note that the table above relates only to ESG-related resolutions. For a full report on all our voting activity during the year, please see the Betashares website.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>UnitedHealth Group Incorporated</b>	UNH	05-Jun-23	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.
<b>UnitedHealth Group Incorporated</b>	UNH	05-Jun-23	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	For	A vote 'FOR' this item was warranted. The company's severance policy establishes a reasonable limit on cash severance. However, the company does not disclose a policy or requirement that payments in excess of amounts provided under the policy are subject to shareholder approval. Without such a requirement, shareholders do not have adequate assurances that the company's current practice safeguards against excessive severance payments.
<b>Veeva Systems Inc.</b>	VEEV	21-Jun-23	Amend Bylaws to Require Shareholder Approval of Certain Provisions Related to Director Nominations by Shareholders	Against	Against	A vote 'AGAINST' this proposal was warranted as the company currently discloses its policies and procedures that existing directors must follow in order to join another private or public board.
<b>Visa Inc.</b>	V	24-Jan-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
<b>Walgreens Boots Alliance, Inc.</b>	WBA	26-Jan-23	Report on Public Health Costs Due to Tobacco Product Sales and the Impact on Overall Market	Against	For	A vote 'FOR' this resolution was warranted because shareholders would benefit from increased disclosure regarding the firm's policies and practices related to the sale of tobacco products.
<b>Walgreens Boots Alliance, Inc.</b>	WBA	26-Jan-23	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair
<b>Workday, Inc.</b>	WDAY	22-Jun-23	Amend Bylaws to Require Shareholder Approval of Certain Provisions Related to Director Nominations by Shareholders	Against	Against	A vote 'AGAINST' this proposal was warranted as the company currently discloses its policies and procedures that existing directors must follow in order to join another private or public board.
<b>Xinjiang Goldwind Science &amp; Technology Co., Ltd.</b>	2208	20-Jun-23	Elect Yang Liying as Director	For	For	A vote 'FOR' the election of the nominee was warranted given the absence of any known issues concerning the nominee and the company's board and committee dynamics.

Note that the table above relates only to ESG-related resolutions. For a full report on all our voting activity during the year, please see the Betashares website.

# Appendix A:

## Ethical funds – negative screens

The negative screens applied to our ethical funds (ETHI, FAIR, GBND):

Industry/Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
<b>Fossil Fuels - Direct</b>	0%	Companies which have fossil fuel reserves, fossil fuel infrastructure, produce petrochemicals or are involved in the mining, extraction or burning of fossil fuels
<b>Fossil Fuels - High Dependency (FAIR) / Indirect (ETHI)</b>	5% for products and services. Excludes the largest global financiers and insurers of fossil fuel companies, projects and infrastructure.	Industry sectors with very high use of fossil fuels (note: mining companies engaged in the extraction of critical minerals, as defined by Geoscience Australia, and companies with demonstrated use of sustainable business practices are exempt from this exclusion)
<b>Fossil Fuels - Service Providers</b>	5% for products and services	Companies which provide products or services which are specific to and significant for the fossil fuel industry
<b>Fossil Fuels - Finance and Underwriting</b>	Exclude the largest global financiers of fossil fuel companies, projects and infrastructure	Companies which provide lending to fossil fuel companies or otherwise provide significant financing to fossil fuel project or infrastructure
	Exclude the largest global insurers of fossil fuel companies, projects and infrastructure	Companies that provide significant insurance or re-insurance of fossil fuel companies or projects
<b>Gambling</b>	0% for casinos and manufacture of gaming products	
	5% for distribution of gambling products	
<b>Tobacco</b>	0% for production or manufacture	Includes e-cigarettes and other tobacco-based products.
	5% for sale of tobacco products	
<b>Uranium and Nuclear Energy</b>	5% for products and services to nuclear energy	

Industry/Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
<b>Armaments and Militarism</b>	0% for manufacture of armaments and weapons	Includes nuclear weapons and other controversial weapons
	5% for specific and significant services to military and armaments manufacture	
<b>Destruction of Valuable Environments</b>	0%	Companies which have direct negative impact on recognised World Heritage and High Conservation areas
<b>Animal Cruelty</b>	0%	Companies involved in live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products (ivory, foie gras etc)
<b>Chemicals of Concern</b>	0%	Companies which produce or use chemicals of concern recognised by UN Environmental Program, producers of controversial agricultural chemicals
<b>Mandatory Detention of Asylum Seekers</b>	0%	Companies which operate detention centres or for-profit prisons
<b>Alcohol</b>	5% for production of alcohol	Companies which operate detention centres or for-profit prisons
	20% for sales of alcohol	
<b>Junk Foods</b>	33%	Companies which produce or sell junk foods
<b>Pornography</b>	0% for production of pornography	Companies which produce or sell pornography.
	5% for sale of pornography	
<b>Fines and Convictions</b>	n/a	Fines or convictions equal to or above \$10 Million USD over the last 3 years
<b>Human Rights</b>	n/a	Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption.
<b>Board diversity</b>	n/a	No women on board of directors
<b>Payday Lending (ETHI)/ Predatory lending (FAIR)</b>	0%	Lending practices that impose unfair or abusive terms on borrowers.

## Appendix B:

# List of company engagements 2023

AGL Energy	Ford Motor Company	Suncorp
Amazon.com, Inc.	Goodman Group	TELUS Corporations
Apple Inc	H&M	Tesla, Inc.
BMW Group	Inter-American Development Bank	Tokio Marine Holdings
Booking Holdings	International Finance Corp	UnitedHealth Group Incorporated
Bubs Australia	Macquarie Group	Verizon Communications Inc.
Canadian Solar	Nike, Inc.	Woodside Energy
Commonwealth Bank of Australia	Northern Territory Treasury Corp	Woolworths Group
Credit Agricole Group	PayPal Holdings	Zalando SE
Expedia Group	Renesas Electronics Corp	
Fast Retailing	South32	

# Appendix C:

# Modern Slavery Statement

Version 2 – June 2023

## 1. Background

Betashares is committed to identifying, monitoring and mitigating modern slavery risks within our business and supply chains.

Modern slavery involves serious forms of exploitation such as trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour.

This Modern Slavery Statement ('Statement') provides information on Betashares' approach to identifying, mitigating and addressing these risks, with the aim of maintaining responsible and transparent operations and supply chains.

This Statement has been prepared as a joint statement as permitted by section 14 of the Modern Slavery Act 2018 (Cth) ('the Act') and applies to the following entities:

- Betashares Financial Group Pty Ltd (ACN: 646 305 517) (parent entity)
- Betashares Holdings Pty Ltd (ACN: 136 545 107), and
- Betashares Holdings Pty Ltd (ACN: 136 545 107), and

(collectively 'Betashares', also referred to as 'us', 'our' and 'we').

Betashares Holdings Pty Ltd and Betashares Capital Ltd are wholly owned subsidiaries of Betashares Financial Group Pty Ltd.

Betashares' registered office is Level 11, 50 Margaret Street, Sydney, New South Wales.

In preparing this Statement, we consulted with relevant senior members of Betashares across each of the reporting entities as required under the Act. Common staff and business policies apply across the reporting entities.

This Statement relates to the reporting period commencing 1 January 2022 and ending 31 December 2022.

Betashares Compliance is responsible for the operation of this Statement.

## 2. About us

Established in 2009, Betashares is an Australian based asset management business specialising in exchange traded funds (ETFs) and other funds traded on the Australian Securities Exchange (ASX). Betashares seeks to help Australians build their wealth, guided by core principles: simplicity, cost-effectiveness and transparency.

Betashares Financial Group Pty Ltd is an Australian company governed by its Board of Directors. It is the parent company within the Betashares group. Its main operating entity is Betashares Capital Ltd, which holds an Australian Financial Services Licence (No. 341181) and acts as responsible entity for over 80 funds. Betashares Holdings Pty Ltd conducts certain procurement activities on behalf of the group.

As at 31 December 2022, Betashares operates in Australia and New Zealand and employs over 100 staff.

More information about Betashares can be found at [www.betashares.com.au](http://www.betashares.com.au).

## 3. Our operations

Betashares is a leading Australian asset management business. Our predominant business activity involves operating ETFs and other funds in our capacity as responsible entity.

Betashares acknowledges there is modern slavery risk in investment portfolios. Our operations include internally managing rules-based or passive investment portfolios, providing investors with access to a range of asset classes including equities, cash, fixed income, hybrids, currencies and commodities. All investments involve buying, holding or selling assets that are publicly traded on recognised securities exchanges around the world, or traded on well-established, institutional over-the-counter markets.

Many of Betashares' arrangements with service providers reflect existing long-standing relationships.

## 4. Our supply chains

Betashares engages outsourced service providers to provide a range of goods and services. The main services procured are:

- fund administration
- fund unit registry
- fund custodial services
- brokerage services
- clearing and settlement services
- research services
- IT services
- professional services e.g. legal and tax advice
- external investment management
- marketing and advertising services (business and fund related), including promotional materials and merchandise
- office services: cleaning services
- catering services
- office supplies

The outsourced service providers we have engaged are predominantly Australian based companies. We conduct appropriate due diligence prior to engaging with new service providers.

## 5. Our modern slavery risks

We understand modern slavery can occur in many forms, including human trafficking and forced labour. Betashares takes a risk-based approach to identifying, mitigating and managing modern slavery risks that may be present within its supply chain.

Our approach to reducing the risk of modern slavery within our supply chain and our operations is guided by the UN Guiding Principles on Business and Human Rights and the United Nations Global Compact.

Due to the nature of Betashares' business interests, the highly regulated nature of the Australian financial services industry, Australia's well-developed "fair work" regulations, the large and reputable nature of our service providers (many of which are themselves subject to modern slavery-related regulations), and the generally simple nature of our supply chains, the risk of modern slavery within our operations and supply chains is considered relatively low.

Despite this, Betashares acknowledges that our use of office services such as cleaning services and suppliers used to make company merchandise may carry a higher level of modern slavery risk due to their industry and geographic location. Similarly, where appointed service providers provide services through offshoring arrangements, we acknowledge this also carries a higher risk of modern slavery.

We have obtained supply-chain details and made enquiries with our suppliers and continue to monitor and review the perceived risk of modern slavery. Our specific modern slavery related risks present are captured in a risk register maintained by Betashares Compliance.

## 6. Our actions

We seek to mitigate the risk of modern slavery in various ways, including consultation and review with our existing service providers and conducting due diligence on any proposed new service providers.

Any proposed new business ventures and partnerships consider the associated risk of modern slavery.

### Governance

#### Our investment portfolios

All investments involve buying, holding or selling assets that are publicly traded on recognised securities exchanges around the world, or traded on well-established, institutional over-the-counter markets. Listed entities are typically subject to admission requirements that include ongoing obligations to comply with applicable laws, as well as modern slavery regulations where relevant to the entity.

We offer several products in our ethical suite which employ a screening process to exclude investments in companies whose activities have detrimental impacts on people, society or the environment. Depending on the product, the screens exclude companies with evidence of human rights violations, including child labour, forced labour and sweatshops.

To assist in the screening process, Betashares subscribes to data services which provide us with a range of environmental, social and governance (ESG) metrics, including controversy measures relating to human rights and modern slavery.

We also procure the services of a number of external investment managers to oversee certain actively managed investment portfolios. Certain of these managers explicitly take into account ESG factors, including modern slavery concerns, as part of their investment decision-making process.

<sup>5</sup>See <https://iopscience.iop.org/article/10.1088/2752-5295/ac856f/pdf>

<sup>6</sup><https://hbr.org/2021/11/accounting-for-climate-change>

## Our commitment to stewardship

Betashares offers a broad range of investment strategies designed to give investors access to investment markets, sectors, or themes in an efficient and cost-effective manner. As an investor, we have limited visibility into the operations and supply chains of portfolio companies over and above the regulatory reporting and voluntary disclosures of security issuers.

We seek to address this risk by engaging with companies and undertaking proxy voting in accordance with our proxy voting guidelines, designed by our proxy adviser, Institutional Shareholder Services (ISS). These guidelines recognise that ESG factors can present material risks in investment portfolios and were specifically formulated to align with the stewardship principles of the Principles for Responsible Investment (PRI). We publish our full proxy voting record on an annual basis on our website.

To address the modern slavery risks that may be present in portfolio companies, some of our strategies specifically target ESG-related themes or employ negative and norms-based screens. We seek to be transparent in disclosing the ESG considerations incorporated into product design, portfolio construction and security selection processes.

Betashares has established a Responsible Investment Committee (RIC) to provide oversight and guidance on ESG-related issues for our ethical products. The RIC monitors the index constituent companies within our relevant ethical portfolios and recommends exclusion of companies that seriously breach social norms. This may include breaches of human rights (child labour, forced labour) and bribery and corruption. Where an issue may arise in relation to a portfolio holding that the RIC believes conflicts with the fund's values, or where the RIC believes a company could improve its ESG performance, the RIC will engage with the company to understand the situation in more detail and, if necessary, advocate for improvement. Betashares is a signatory to the PRI, which is supported by the United Nations and works to support the incorporation of ESG factors into investment decisions. Betashares is also a member of the Responsible Investment Association Australasia (RIAA) and is committed to its goal of ensuring capital is aligned to achieving a healthy society, environment and economy.

Our responsible investments team oversees our approach to stewardship.

## The Green Council

Betashares has also recently formed an internal body called the 'Green Council'. The objectives of the Green Council include the promotion of principles of sustainability and human rights in our operations and supply chains. It is envisaged that over time this internal committee will assist in mitigating the modern slavery related risks faced by the business.

## Recruitment

Betashares employs staff either directly or with the assistance of recruitment agencies. All employment agreements are prepared by Betashares, and set out the rights and obligations of each party. We conduct background checks on each new employee and ensure that the new employee is eligible to work in the applicable jurisdiction. We ensure that all employees are paid a fair salary in accordance with applicable laws and regulations.

## Policies

To identify and address the modern slavery risks that may be present in Betashares' operations and supply chain, Betashares maintains a number of policies that govern the way it operates. These policies include:

### i. Code of Conduct

Betashares strives to foster a work environment and culture that is built on integrity, respect, trust and transparency. All employees are expected to comply with the Code of Conduct which outlines our values and standard of behaviour within the business.

### ii. Staff engagement survey

Betashares consults with employees on an annual basis through a survey that captures employee engagement within the business on areas such as wellbeing, job satisfaction and leadership.

### iii. Outsourcing

Betashares only seeks to engage with reputable and high calibre external service providers. The outsourcing policy explicitly requires that consideration be given to modern slavery risk present in any proposed new external service provider.

### iv. Whistleblowing

Betashares acknowledges that whistleblowers play an important role in identifying and calling out misconduct. Betashares maintains a Whistleblower Policy which encourages the reporting of unethical behaviour without the threat of adverse consequences.

### v. Risk Management

Betashares notes the risk of modern slavery within the business and has sought to implement mitigating controls. The risk management policy describes the risk mitigation process to be followed.

## Training

Betashares provides modern slavery-related training to all employees as part of the group wide induction process. Modern slavery is also a topic that is covered during our Annual Compliance Training sessions. From time to time, Betashares may also provide specific training for employees that engage with third party suppliers.

Training is also provided on Betashares' incident reporting process. Emphasis is placed on ensuring that if an incident such as modern slavery occurs, it is reported to Betashares Compliance as soon as practicable to enable the appropriate actions to be taken to address the impact of the incident.

During the reporting period, all staff attended Betashares' Annual Compliance Training sessions.

## Due diligence

As part of Betashares' due diligence on service providers and broader risk management, we obtain modern slavery-related compliance confirmations from each of our material service providers on an annual basis.

## Betashares Risk Management Committee

Betashares' Risk Management Committee meets on a quarterly basis to discuss and review the risks present within the business. Should there be an instance of modern slavery within the business, the Risk Management Committee would be informed to assess the risk and consider appropriate remediation action.

## 7. Current approach

Betashares regularly reviews its risk register and the controls associated with the respective risks.

We review our Statement on an annual basis.

To assess the effectiveness of our actions, we monitor our progress in areas such as:

- Training – delivery of training and attendance during induction as well as Annual Compliance Training sessions
- Service provider due diligence – completing checklists on new service providers throughout the reporting period
- Compliance with policies – reviewing applicable policies and monitoring the number of reports relating to modern slavery.

Betashares will continue to monitor these areas on an ongoing basis and add to this list as appropriate.

## 8. Looking forward

Betashares is committed to improving our response to modern slavery risks in our operations and supply chain each year. We will continue to monitor for instances of modern slavery and work with the relevant parties to manage these risks appropriately. We have committed to completing a materiality-based risk assessment of our supply chains and will also implement a standalone modern slavery questionnaire to be completed by new service providers. We will also seek to promote greater awareness of modern slavery risks within our supply chain by increasing the number of supplier contracts with modern slavery clauses.

# Appendix D:

## Treasury Submission

Submission on the Climate-related financial disclosure: exposure draft legislation to introduce mandatory requirements for Australian businesses and financial institutions to disclose climate-related risks and opportunities.

Betashares participated in the public consultation process for the Treasury's Climate-related financial disclosure: exposure draft legislation by submitting feedback on the legislation including comments relating to Scope 3 disclosures, liability protections, and the development of an auditing and assurance standard by the Australian Auditing and Assurance Standards Board (AUASB).

### Remuneration Principles

The Policy position statement states:

"The Government is committed to improving the quality of climate-related financial disclosures, providing Australians and investors with greater transparency and more comparable information about an entity's exposure to climate-related financial risks and opportunities and climate-related plans and strategies.

Improving climate disclosures will support regulators to assess and manage systemic risks to the financial system as a result of climate change and efforts taken to mitigate its effects."

The Draft will result in a large number of companies and asset owners making climate change financial disclosures. For most companies, climate risk principally relates to, and is limited to, impacts to the overall Australian economy and to public infrastructure. We question whether the additional costs imposed on those businesses will result in information of meaningful value to investors or the Government and continue to advocate for a more targeted, materiality screened application of the Draft. We do note and support the intent to exempt smaller entities from the requirement to produce extensive climate statements.

### Government entity exemption

For many companies, a substantial portion of the climate risk they face is the risk to public infrastructure. For asset owners, including superannuation funds, securities issued by the Australian Federal Government and State Governments constitute a material proportion of investment portfolios. Hence, the policy objective of understanding climate risk for the majority of Australian companies and asset owners cannot be achieved if government entities are exempt from disclosure obligations. We consider that government disclosures to date, such as in the Intergenerational Report 2023, which are based on integrated assessment models using linear damage functions, understate the risk of climate change to the Australian economy and we refer to the UK Institute and Faculty of Actuaries report 'The Emperor's New Climate Change Scenarios' which discusses the limitations of most climate change scenario modelling<sup>1</sup>. For the relatively small number of companies that do face material climate change transition or physical risk, the proposed disclosures covered by the Draft are insufficiently prescriptive to allow investors, or the government to understand the physical or transition financial risks faced by companies and the Australian economy in aggregate. This is discussed below.

<sup>1</sup><https://actuaries.org.uk/media/qeydewmk/the-emperor-s-new-climate-scenarios.pdf>

The ability of the Draft to achieve the policy objective of understanding systemic risks to the economy is also constrained by the Government's rejection of the principle of double materiality in the adoption of AASB ASRS 2, which is modelled on IFRS S2. We note in contrast the recently published GRI Draft Climate Change Standard<sup>2</sup>, which includes required disclosure which would be of value to investors and the Government in understanding systemic risks to the Australian economy. For example, GRI Disclosure CC-1 h. i. requires companies to describe the impacts that may result from the organisation's transition plan on workers, local communities, and vulnerable groups. This is information that would greatly assist investors and the Government in understanding systemic transition risk. We would encourage the incorporation of the principle of double materiality in the Australian standard.

It is our view that while the publication of Scope 1, Scope 2 and Scope 3 emissions data as specified in the Draft will be of some value to investors, in the main an opportunity has been lost to establish a disclosure framework that would be of real value in the assessment of climate risk to companies and the Australian economy in aggregate.

## Transition Risk

### Scenario shopping

AASB draft standard ASRS S2 requires companies to report transition against a scenario that limits warming to 1.5°C above pre-industrial levels. There are thousands of climate scenarios and many of these are consistent with this benchmark. However, the extent to which these scenarios are technically feasible<sup>3</sup>, consistent with market structures, available technologies and stated policies varies significantly. For example, we have seen Australian companies report against 'overshoot' scenarios that incorporate material carbon dioxide removal (CDR), which is not expected to be economically or technically feasible, and scenarios developed by consultants specifically for a given industry. These scenarios are not fit-for-purpose for transition risk scenario analysis and analysis against these scenarios is of little value to investors.

To prevent 'scenario shopping' of this type, either the Draft or ASRS 2 should be prescriptive as to the specific, fit for purpose, transition scenario to be modelled. We recommend the IEA Net Zero Emissions by 2050 Scenario (NZE). By being prescriptive as to the specific scenarios reporting entities should use, Government not only improves comparability across company reports, but it also mitigates the behavioural risk posed by companies having the discretion to 'cherry pick' scenarios that minimise the risks inherent in their operations and strategy.

### Physical Risk

ASRS 2 does not prescribe a physical risk scenario or even specify an upper temperature that an entity must use in scenario analysis. Without at least one set of prescribed metrics, the value of disclosure reports to investors is materially reduced.

It is noted that there are substantial costs involved in physical risk scenario analysis and that while investors have a high degree of concern in relation to certain industry sectors, for most companies, investors are not concerned by climate change physical risk at the individual company level. Concern is again more focused on the impact of climate change on public infrastructure and the overall economy.

Where companies do have exposure to physical assets such as buildings or infrastructure, or to impacted activities such as primary production (dairy, livestock, grain etc), we note concerns expressed by climate scientists and risk experts that the output from Coupled Model Intercomparison Project (CMIP) climate models does not have the spatial or temporal resolution required for financial risk analysis. There is considerable risk of climate data being misconstrued and used inappropriately<sup>4</sup>. Companies do not face climate risk; they face weather risk. Most companies do not know their current weather risk and a requirement of ASRS 2 is that, except under prescribed circumstances, after 1 July 2027 companies will provide quantitative analysis of the change in weather risk as a result of climate change.

<sup>2</sup><https://globalreporting.org/media/lcznznf0/gri-topic-standard-project-for-climate-change-exposure-draft.pdf>

<sup>3</sup><https://www.stateofcdr.org/>

<sup>4</sup><https://www.stateofcdr.org/>

Our expectation is that companies will incur substantial costs performing physical risk analysis using datasets from dynamically downscaled CMIP models. Such approaches are fundamentally flawed when applied at more granular scales, they also ignore the risk of 'compound events'<sup>5</sup>. At this point in time climate models provide investors with little insight as to the likely impact of climate change on an individual company's physical assets or financial outcomes. Further, our experience suggests that modelling of this type is likely to be used by companies to downplay the potential impacts of climate change, creating a degree of complacency and the underestimation of risk. For most companies, a qualitative description of physical climate risk should be sufficient for the purpose of compliance with the Draft.

### Scope 3 Disclosures

Unlike IFRS S2, AFRS 2 does not require companies to categorise its Scope 3 emissions into the 15 categories listed in the GHG Protocol. The risk associated with Scope 3 emissions vary materially based on the category of emissions. To provide information of value to investors, AFRS 2 should be amended in line with IFRS S2 to require the categorisation of disclosed Scope 3 emissions. We note that there is substantial discretion in the calculation and reporting of Scope 3 emissions under the GHG Protocol standard and hope the standard becomes more prescriptive over time. In the meantime, AFRS 2 should be amended to reduce the level of discretion. For example, in the reporting of Category 1; Purchased goods and services, reporters can use a 'supplier-specific method' or base disclosure on industry average emission factors. AFRS 2 should require that supplier-specific data is used when available. We would encourage the Government to signal a policy intent to move away from the GHG Protocol altogether and establish a timeline for the adoption of E-liability carbon accounting.<sup>6</sup>

### Liability

The Draft details a modified liability approach that will apply for a transitional period, allowing reporting entities time to develop experience in reporting to the required standards. We note reports in the media that some stakeholders would prefer the proposed liability relief be extended from Scope 3 emissions and forward-looking statements to cover all disclosures prescribed in the new 'sustainability report'. Other than Scope 3 and forward-looking statements, the required disclosures in the Draft relate to Scope 1 and Scope 2 emissions, and a description of the governance structures in place to manage climate change risk. Under NGERs, relevant companies have had considerable experience in the reporting of Scope 1 and Scope 2 emissions. We see no reason that the exemption should be extended beyond Scope 3 and scenario testing, nor for the implementation of the final legislation to be delayed.

### Assurance

The Draft states that the AUASB will determine an assurance standard for climate change financial disclosures based on a final IAASB standard. The current draft IAASB standard (ED-5000) incorporates by reference the International Ethics Standards Board for Accountants (IESBA) Standard with regard to ethics. Further, IESBA has published an exposure draft [International Ethics Standards for Sustainability Assurance](#). The AUASB submission on ED-5000 states that it "strongly disagrees" with the approach to quality management and ethics incorporated in ED-5000 as it would "backdoor" a requirement for Quality and Ethics standards on firms engaged in providing sustainability assurance. Further it states that some national standard setters may need to remove all references to quality management and ethics from the final ISSA 5000. As a user of sustainability assurance reports, we believe it important that any AUASB assurance standard incorporate principles of quality and ethics, as detailed in IAASB ED 5000 and the IESBA exposure draft. We note that existing sustainability assurances, such as in relation to voluntary sustainability reports or compliance with green bond/climate bond standards, do not comply with the principle of 'objectivity' as detailed in the IESBA exposure draft. For investors to have confidence in disclosures, quality and ethics provisions need to be incorporated in the AUASB standard.

<sup>5</sup>See <https://iopscience.iop.org/article/10.1088/2752-5295/ac856f/pdf>

<sup>6</sup><https://hbr.org/2021/11/accounting-for-climate-change>

# Appendix E:

# Remuneration Principles

## Remuneration Principles

The following principles outline our expectations for remuneration and will guide our proxy voting on remuneration related proposals. Where the principle states “must” we will generally vote against a remuneration scheme not consistent with the principle. Where a principle states “should” we will give consideration to the specific circumstances on a case-by-case basis in determining our voting.

## Remuneration Committee

- Must have a majority of independent directors
- Must have an independent chair

## Remuneration Policies

- Remuneration policy and practices must be published and made available to shareholders
- Non-executive directors should receive fixed-fee cash or non-cash (e.g. superannuation) benefits only
- Non-executive directors must not receive options or participate in bonus payments
- Schemes involving the issuance of securities should be put to shareholders for approval
- Policies must have provision for clawback for malus
- Policies should require Insiders to notify the relevant exchange of trading in securities and derivatives
- Sign-on awards must be in equity that vests over at least three years.
- Retention payments should only be made under exceptional circumstances
- Payments in the event of early termination should be agreed in advance, and disclosed to shareholders
- Early termination payments must be limited to no more than two-years base salary

## Incentive Schemes

- Schemes must be linked to clearly specified targets based on objective metrics that are sufficiently challenging
- Schemes should appropriately balance short-term and long-term objectives with greater weight given to objectives measured over three or more years
- Schemes must not reward 'day job' activities. For the avoidance of doubt, the management of an acquisition or disposal is a 'day-job' activity for a Chief Executive Officer
- Targets must be adjusted for acquisitions and disposals
- Schemes should be aligned to strategic goals and not overly short-term
- The use of discretion to adjust quantum of incentives or vesting arrangements should be limited and disclosed
- Schemes should not incentivise behaviours inconsistent with the interests of shareholders or provide perverse incentives
- Schemes should not incentivise excessive risk taking
- Schemes should not overly reward windfall gains
- If relative measures of performance are used as a performance metric, incentives should be subject to a zero minimum absolute TSR (total shareholder return)
- Incentives should not be based on normalised or otherwise adjusted earnings

## Vesting

- Vesting should be conditional on the maintenance of a minimum level of performance
- Dividends must not be paid on unvested securities