



# Match your investments with your values

An introduction to ethical investing with Betashares



CERTIFIED BY RIAA

# 83%

## of Australians expect their portfolio to be invested responsibly<sup>1</sup>

The transition away from polluting industries towards innovative, ethical and sustainable activities is well under way. Investors are increasingly determined to construct and diversify their portfolios in a way that contributes to improvements in environmental, social and corporate governance (ESG) activity without compromising on investment returns.

## What is ethical investing and how is it different from responsible investing?

**Ethical investing** refers to investing in accordance with a set of moral principles and typically involves the application of negative screens to exclude investment in companies whose activities have detrimental impacts on people, society, or the environment, or whose activities breach accepted standards of corporate behaviour, which are referred to as 'norms' -such as the United Nations Declaration of Human Rights. Ethical investing approaches can be combined with positive screens to give preference to companies with positive impacts or desirable attributes.

This investment approach is also referred to as socially responsible investing or 'SRI.'

The goal of ethical investing is to give investors the ability to make investment choices that align with their values.

**Responsible investing** is a term that can cover a broad range of investment activities which factor in environmental, social or governance (ESG) issues, along with financial performance, when making investment decisions and managing investment portfolios.

All ethical investments are by definition responsible investments. However, not all responsible investments employ the negative screening processes used by ethical investments, and so not all responsible investments meet the definition of 'ethical investments'. Responsible investments also include:

- **ESG integration** – this simply means that environmental social and governance issues are taken into account, along with financial factors, when making investment decisions
- **impact investments** - investments made with the specific intent of generating positive, measurable social and/or environmental impacts alongside a financial return, and
- **sustainability-themed investments** – investments in economic activity that, according to one definition, "meets the needs of the present without compromising the ability of future generations to meet their own needs." <sup>1</sup>

<sup>1</sup> Source: The Brundtland Report (UNWCED 1987)

# Choosing an ethical investment

Investors considering an ethical allocation to their portfolios should have confidence that the investment they choose is 'true to label.'

Below are three steps to consider:

1. Explore 'under the hood'	2. Review the screening process	3. Check industry accreditations
View the specific holdings in the investment portfolio, for a deeper understanding of exactly what you'll be gaining exposure to.	Ensure the screening process is robust, using negative and/or positive screens as part of the process, to provide a 'true to label' exposure.	The RIAA runs a 'Responsible Investment Certification Program' which aims to help investors navigate these complexities. If an investment has been certified by the RIAA it means it has implemented a detailed responsible investment process for all investment decisions. Learn more on the RIAA website.

## Build a balanced, ethical portfolio with Betashares

Whether the focus is on shares or fixed income, Betashares' range of ethical ETFs provides access to a diversified portfolio of sustainable, ethical investments in a single, cost-effective trade.

- **Ethically focused**  
Strictly screened to provide an authentic, true to label ethical option for those wishing to gain exposure to shares or fixed income.
- **Market leading**  
Our range of ethical ETFs is the largest on the ASX, with combined AUM of over AUD\$4.45B (as at 12 April 2023).
- **Transparent**  
See what the ETF is holding in its portfolio at any time on our website.
- **Cost-effective**  
Betashares ethical ETFs aim to track the performance of an index, making them a cost-effective option.

## Betashares Global Sustainability Leaders ETF

(ASX: ETHI)

Exposure: International shares  
Management costs: 0.59% p.a.

- ETHI provides exposure to a carefully-screened portfolio of companies from a broad range of locations outside of Australia. To be included in ETHI's portfolio, a company must be identified as a 'Climate Leader' and must also pass further eligibility screens in order to exclude companies with direct or significant indirect exposure to the fossil fuel industry, or engaged in other activities deemed inconsistent with responsible investment considerations.\*
- ETHI is certified by the RIAA according to its strict operational standards.

## Betashares Global Sustainability Leaders ETF - Currency Hedged

(ASX: HETH)

Exposure: International shares  
Management costs: 0.62% p.a.

- HETH provides exposure to the same portfolio of companies as ETHI (HETH currently obtains its exposure indirectly by investing into ETHI), but with foreign currency exposure hedged back to the Australian Dollar, seeking to minimise the effect of currency fluctuations on portfolio returns.
- HETH is certified by the RIAA according to its strict operational standards.

## Betashares Australian Sustainability Leaders ETF

(ASX: FAIR)

Exposure: Australian shares  
Management costs: 0.49% p.a.

- FAIR provides exposure to a carefully-screened portfolio of sustainable and ethical Australian companies. To be included in FAIR's portfolio, each company must pass eligibility screens designed to exclude companies with direct or significant indirect exposure to the fossil fuel industry, or engaged in other activities deemed inconsistent with responsible investment considerations.\* FAIR's methodology also preferences companies classified as 'Sustainability Leaders', based on their involvement in business activities aligned to the United Nations Sustainable Development Goals.
- FAIR is certified by the RIAA according to its strict operational standards.

## Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged

(ASX: GBND)

Exposure: International and Australian bonds  
Management costs: 0.49% p.a.

- GBND provides exposure to a diversified portfolio of fixed-rate, investment-grade global and Australian bonds, with a significant allocation to green bonds, that have been screened to avoid issuers (other than sovereign bond issuers)\* with material exposure to the fossil fuel industry and issuers engaged in other activities deemed inconsistent with responsible investment considerations.\*\*
- 'Green bonds' are bonds issued to directly fund projects that have positive environmental and/or climate benefits. To be eligible for inclusion on this basis, a bond must meet the definition of a green bond as set by the internationally-recognised, not-for-profit organisation Climate Bonds Initiative (CBI).
- GBND is certified by the RIAA according to its strict operational standards.

\*Sovereign bond issuers are screened to remove any issuers that are subject to current sanctions as a result of human rights concerns imposed by international bodies such as the United Nations and European Union.

\*\*Screens may be subject to certain materiality thresholds.

The Betashares Global Sustainability Leaders ETF (ETHI), Betashares Global Sustainability Leaders ETF - Currency Hedged (HETH), Betashares Australian Sustainability Leaders ETF (FAIR) and Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged (GBND) have been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) for details.<sup>1</sup>

<sup>1</sup> The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.



CERTIFIED BY RIAA

# Our screening process

The screening process is arguably the most important factor when considering an ethical investment, allowing exclusions or inclusions based on specific activities and factors.

Betashares' broad-based ethical ETFs combine fossil fuel screens with a broad set of negative screens to exclude investment in companies whose activities have detrimental impacts on people, society, or the environment, offering investors a true to label, ethical investment option.

**ETHI/HETH, FAIR** and **GBND** apply some of the industry's most stringent ethical screens, that are designed to exclude companies and bond issuers materially engaged in activities deemed inconsistent with responsible investment considerations.



## Examples of negative screens applied:

Fossil fuels, gambling, tobacco, armaments, uranium and nuclear energy, destruction of valuable environments, animal cruelty, chemicals of concern, alcohol, junk foods, pornography, no gender diversity at board level, human rights and supply chain concerns.

Screens may vary, depending on type of fund exposure. Screens may be subject to revenue or other materiality thresholds. Detailed screening information for Betashares ethical ETFs is available in each ETF's PDS and index methodology.

# Using Betashares ethical ETFs in a portfolio

- Betashares ethical ETFs can be used as a component of a core shares or fixed income allocation, providing transparency and diversification benefits in addition to being consistent with ethical and sustainability objectives.
- By using one or more of our equities-focused ethical ETFs (ETHI, HETH and FAIR), in combination with GBND, investors can build a balanced ethical portfolio, all via the ASX.
- Another option for investors looking for an ethical portfolio diversified across asset classes is the Betashares Ethical Diversified ETFs. These ETFs are a series of cost-effective, all-in-one ethical investment solutions that can help to simplify portfolio construction, asset allocation and overall investment management for investors whose priority is investing in a way that aligns with their values.
- In order to provide solutions for different investor risk profiles, the funds are built using varying allocations to ethical growth assets (international and Australian shares, accessed via ETHI and FAIR) vs. defensive assets (international and Australian bonds, accessed via GBND). Currently, three Betashares Ethical Diversified ETFs are available, which have been specifically developed for different risk profiles – Balanced, Growth and High Growth - designed to suit various financial circumstances and investment goals.

## How to invest

- ETHI/HETH/FAIR/GBND and the Betashares Ethical Diversified ETFs trade on the ASX. Invest using an online trading account, or by speaking to your financial adviser.

There are risks associated with an investment in Betashares ethical ETFs or ethical diversified ETFs. Depending on the ETF, the risks may include interest rate risk, credit risk, international investment risk, market risk, concentration risk, Underlying ETF risk and non-traditional index methodology risk. For more information on risks and other features of the ETFs, please see the relevant PDS. You may also wish to consider the relevant Target Market Determination (TMD) which sets out the class of consumers that comprise the target market for the ETFs and is available at [www.betashares.com.au/target-market-determinations](http://www.betashares.com.au/target-market-determinations).

Betashares Capital Ltd (ABN 78 139 566 868 AFS Licence 341181) is the issuer. Read the PDS at [www.betashares.com.au](http://www.betashares.com.au) and consider with your financial adviser whether the product is appropriate for your circumstances.