betashares

# Betashares AU RI policy

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| **This Version** | 1 September 2023 |
| **Policy Owner** | Compliance Officer |
| **Reviewed by** | Responsible Investments |
| **Version** | 3.0 |
| **Next update** | No later than September 2024 |

**Betashares Capital Ltd ABN 78139 566 868**

# Betashares responsible investment policy

Founded in 2009, Betashares has been committed since inception to providing intelligent investment solutions that help Australian investors meet their financial objectives.

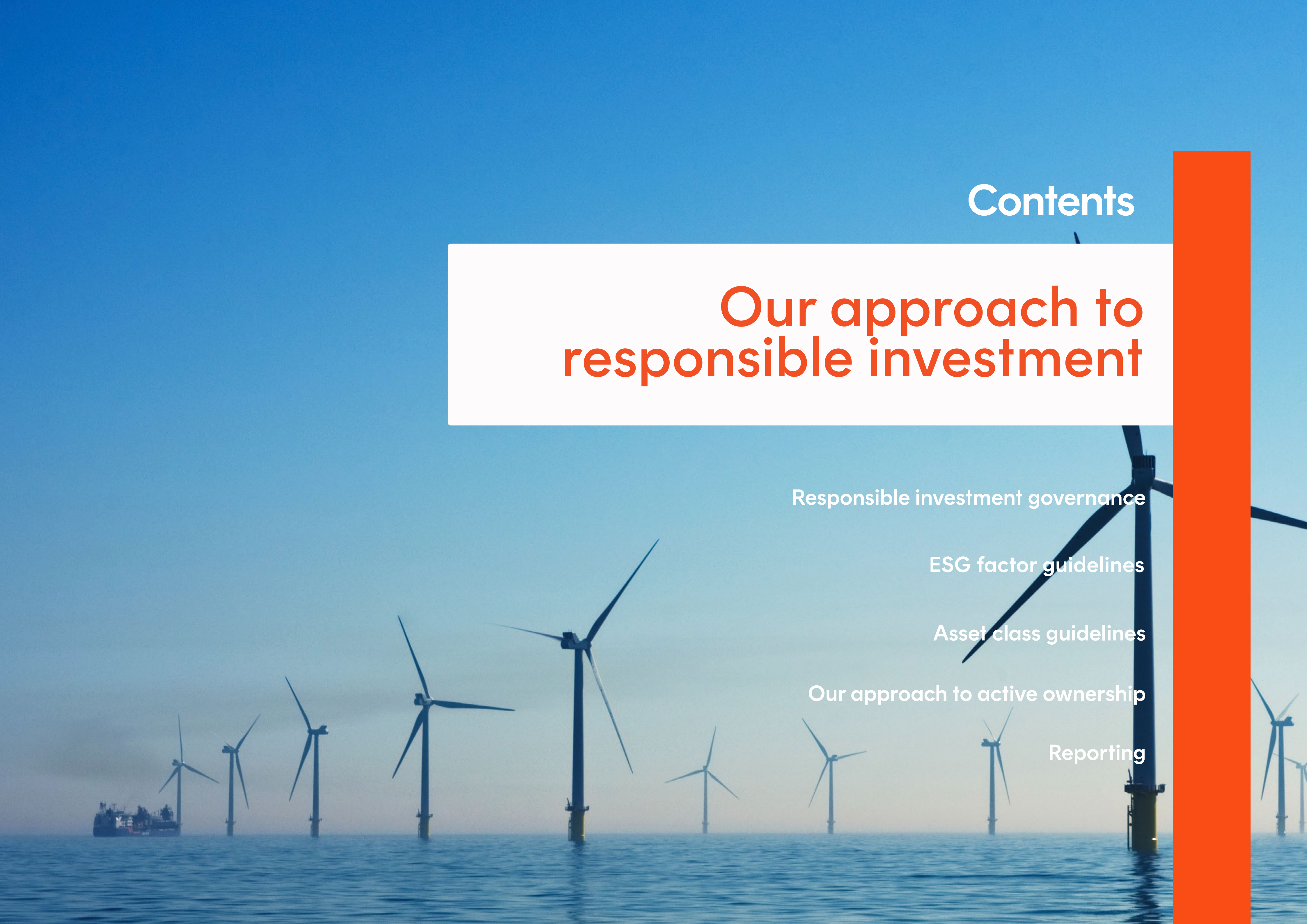
Betashares does this by offering a wide range of exchange-traded funds (ETFs), and other ASX-traded products that cover a range of asset classes (including equities, cash, fixed income, hybrids, currencies and commodities) across different geographic regions and investment styles. As of September 2023, Betashares has more than $30 billion in funds under management in over 80 funds.

The majority of our investment funds aim to track an index (before fees and expenses). Our goal is to choose or design index construction methodologies that meet the needs of our investors in a manner that is true-to-label. The construction and operation of the index is outsourced to appointed index providers who determine the constituents of these portfolios.

We recognise the important role that investment managers can play in promoting responsible investment practices.

Betashares offers a range of ethical and Sustainability thematic products. Since 2017, Betashares has been an innovator in offering high integrity ethical ETFs to Australian investors, and we have sought to play a major role in growing awareness of environmental, social and governance (ESG) investing among new investors. Our ethical ETFs cover global equities, Australian equities, and fixed income. We were also the first to launch multi-asset class ethical ETF investment solutions, enabling investors to access ethically- screened portfolios with exposure to all of these asset classes within a single ETF. In 2021 we launched our first climate change solution themed ETF, the Betashares Climate Change Innovation ETF (ASX: ERTH).

Betashares is a signatory to the **Principles of Responsible Investment** and is a member of the **Responsible Investment Association of Australasia (RIAA).**



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## Our approach to responsible investment

# Our approach to responsible investment

## Fiduciary duty

As a manager of other people's money, Betashares recognises its important role as a fiduciary. Fiduciary duty places on us the obligation to act with care and thought for the future, and to put the interests of our investors before our own. Much has been written about fiduciary duty and the integration of ESG issues in investment decision making. We particularly note the 2014 UK Law Reform Commission Report **Fiduciary Duties of Investment Intermediaries** which requires two tests to be met:

1. trustees should have good reason to think that scheme members would share the concern; and
2. it should not involve a risk of significant financial detriment to the fund

Betashares has a broadly diversified client base. Our investors come from all walks of life and all demographics. Not all investors have the same interests or share the same concerns. Hence there is no single approach to Responsible Investment that is appropriate across our entire range of products. Consequently, we believe the appropriate approach to Responsible Investment should be specifically tailored to each product, its target themes and exposures, and the interests and concerns of its underlying investor base.

In our ethical ETFs, we take a stricter approach to ESG issues. This encompasses the way we design the fund's investment objective and strategy, the way we vote proxies, and the way we engage with companies. These funds apply strict ethical screens to ensure that we are only investing in companies whose business operations align with the fund's values. To ensure our investees stay aligned with these values, we complement our screening with consistent monitoring of all investee companies on ESG-related issues.

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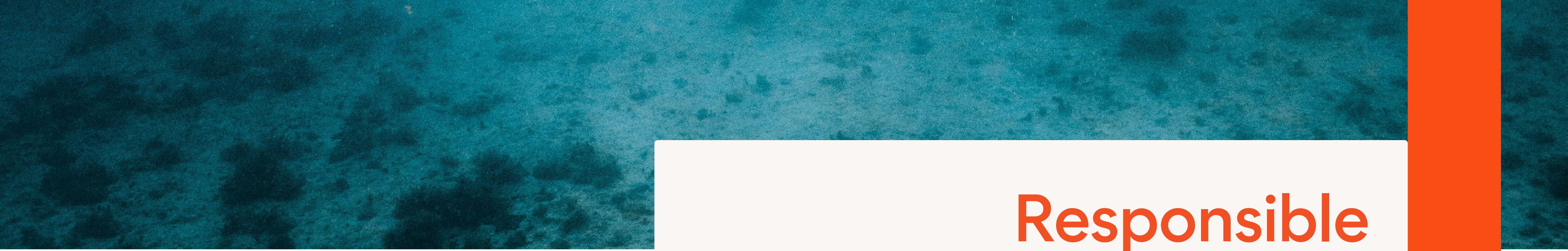

# Responsible investment governance

Betashares believes that governance best practice calls for a high degree of transparency, and hence investments and investment processes should be disclosed to the maximum extent possible. Betashares has a governance framework which covers all aspects of investment product design, approval of index methodology, portfolio management, trading, and reporting. Where considered appropriate, ESG issues are integrated into these investment processes.

The Betashares Board of Directors is ultimately responsible for oversight of all product governance matters, including Responsible Investment. Responsible Investment activities are supervised by senior management. In 2021, we appointed a Director Responsible Investments, to coordinate Responsible Investment activities across the firm and to seek continuous improvement in our Responsible Investment practices and in 2022 we added to this team with the additional hire of a Manager Responsible Investments.

Betashares is committed to continuing education on responsible investing, directed at both clients and staff. On a quarterly basis, our distribution team attends ESG training that covers a broad sector overview and evolving industry trends, as well as product-specific training.

## Responsible investment committee

Betashares has established a Responsible Investment (RI) Committee to provide oversight and guidance on ESG-related issues for our ethical products.  The RI Committee operates under a formal Charter. Members of the RI Committee have suitable experience, expertise, and background in responsible investing. The duties of the RI Committee include:

- Provision of formal advice on the responsible investment criteria set out in the Index Methodology of the relevant fund
- Provision of expert assessment of whether a company contravenes negative screening criteria set out in the Index Methodology and should be excluded from the constituents of the respective Index
- Provision of expert assessment of whether a company satisfies the positive screening criteria set out in the Index Methodology of the relevant fund.
- Determining the respective proposed Index constituents
- Ongoing monitoring of the respective Index constituents
- Provision of expert advice in relation to stewardship (active ownership) activities including proxy voting and company engagement

The negative screening criteria of our ethical products are included in Appendix A.

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# ESG factor guidelines

## Climate change

The earth's mean surface temperature is increasing, and the dominant cause of the observed warming is the effect of human activity on the climate system[1]. Climate change is a global challenge that needs to be addressed by governments, businesses, and individuals.

The economic, social, and environmental impacts of climate change are documented in reports by the **Intergovernmental Panel on Climate Change** (IPCC) scientists, and governmental and non-governmental agencies including the **CSIRO**, and the **Bureau of Meteorology** (BOM). Climate change is resulting in more frequent extreme weather events, sea level rise and reduced biodiversity.

Climate change has been identified by the Reserve Bank of Australia as a first-order risk to our economy and the stability of our financial markets[2].

We integrate climate change considerations into our investment processes in the following ways:

**Product strategy** – we will seek to offer investors products which incorporate climate change solutions and invest in the transition to a zero-carbon economy, principally through the development of sustainability themed products.

**Product design and management** – where appropriate and to the extent possible, we will incorporate climate change risk and opportunities into product design. We will work with our data providers and research houses to ensure climate change is appropriately integrated into research and analysis.

**Education and stakeholder engagement** – we will inform ourselves of climate change-related issues and provide staff with educational sessions and collateral on the impacts of climate change, including risks and opportunities. We will engage with our clients and stakeholders on climate change-related issues including risks and opportunities.

**Engagement and proxy voting** – we will engage with our investee companies on climate change-related issues. We will encourage investee companies to adopt the **Recommendations of the Task Force on Climate Related Financial Disclosures** (TCFD) and where warranted to exceed that framework by disclosing specific metrics and stress testing outcomes. We will encourage the adoption of **Science Based Targets**. We will vote proxies in favour of greater climate change disclosure and the alignment of corporate strategy with the objectives of the Paris Agreement on Climate Change. Refer Our Approach to Active Ownership.

[1] Refer: https://www.ipcc.ch/report/ar6/wg1/

[2] Refer: https://www.rba.gov.au/speeches/2021/sp-dg-2021-10-14.html

**Policy engagement** – where possible and warranted, we will engage with policy makers and regulatory bodies to promote policy and regulation aligned with the objectives of the Paris Agreement. We will advocate for improved and standardised disclosure of climate change-related metrics.

## Other environmental factors

In addition to climate change, our environment is under increasing pressure from a variety of factors including pollution and waste, water use, deforestation, land use including nitrogen and phosphorus loading, and degradation of the marine environment.

Natural capital and biodiversity provide an important underpinning to our health and wellbeing and are essential to economic growth. A 2020 report by the World Wildlife Fund (WWF) estimates that continued loss of biodiversity may result in cumulative economic costs of US$10tn up to 2050[3].

Betashares will seek to offer sustainability themed products which address environmental impacts. In our ethical suite of products, we specifically exclude companies which have direct negative impact on recognised World Heritage and High Conservation areas, companies which produce or use chemicals of concern recognised by the UN Environmental Program, and producers of agricultural chemicals.

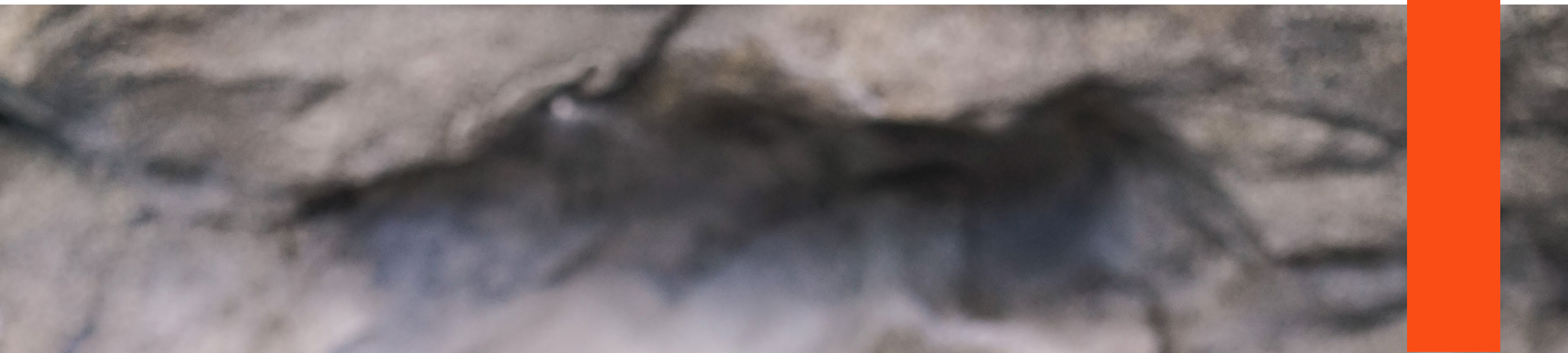
Source: https://www.worldwildlife.org/publications/living-planet-report-2020

Where practical and appropriate we will engage with companies on their environmental management performance. In additional to energy use and carbon reporting we will encourage the companies in which we invest to set targets on waste, water and recycling and to report against those targets. We will vote proxies in favour of proposals that seek greater disclosure on environmental practices and measures which enhance long-term shareholder and stakeholder value, in line with the values of our clients. Refer **Our Approach to Active Ownership.**

## Social factors

Social licence to operate refers to the ongoing acceptance by a company that it must abide by the standards of the communities in which it conducts business. Social norms define acceptable levels of conduct and can cover a range of issues including:

- Human capital management
- Working conditions, health, and safety
- Labour rights
- Diversity
- Harassment and discrimination
- Human rights
- Product safety and consumer protection
- Stakeholder opposition
- Indigenous peoples
- Animal welfare



We expect the companies in which we invest to abide by social norms. We specifically note the principles outlined in the United Nations Guiding Principles on Business and Human Rights which incorporates the International Bill of Human Rights.

With specific reference to our ethical products, the RI Committee monitors the index constituent companies and will exclude companies that seriously breach social norms. This includes the failure to appoint any women to the board of directors, business activity that is destructive to human society (weapons, gambling, tobacco, alcohol, junk food, pornography[4]), breaches in human rights (child labour, forced labour), bribery and corruption, and animal cruelty.

While much of our engagement on social issues is reactive to events and controversies, we will where practical and appropriate engage with companies on a pro-active basis. We will encourage the adoption of ISO 20400 – Sustainable Procurement which provides guidelines for establishing process and strategy around sustainable supply chain management including transparency, respect for human rights and ethical behaviour. We will encourage companies to abide by the principles of Free Prior Informed Consent (FPIC) in their dealings with external stakeholders and note the special and unique importance of indigenous communities.

We will support shareholder proposals that seek greater disclosure on social issues including human rights, labour rights, workplace safety, product safety, diversity and discrimination and harassment and measures which enhance long-term shareholder and stakeholder value, in line with the values of our clients. Refer to Our Approach to Active Ownership.

## Corporate governance factors

Corporate Governance refers to the way in which companies make decisions and conduct their business. It encompasses compliance with the legal and regulatory requirements of the jurisdictions in which the company operates. Betashares acknowledges the work of the ASX Corporate Governance Council and supports the adoption of the ASX Corporate Governance Principles and Recommendations and its eight principles:

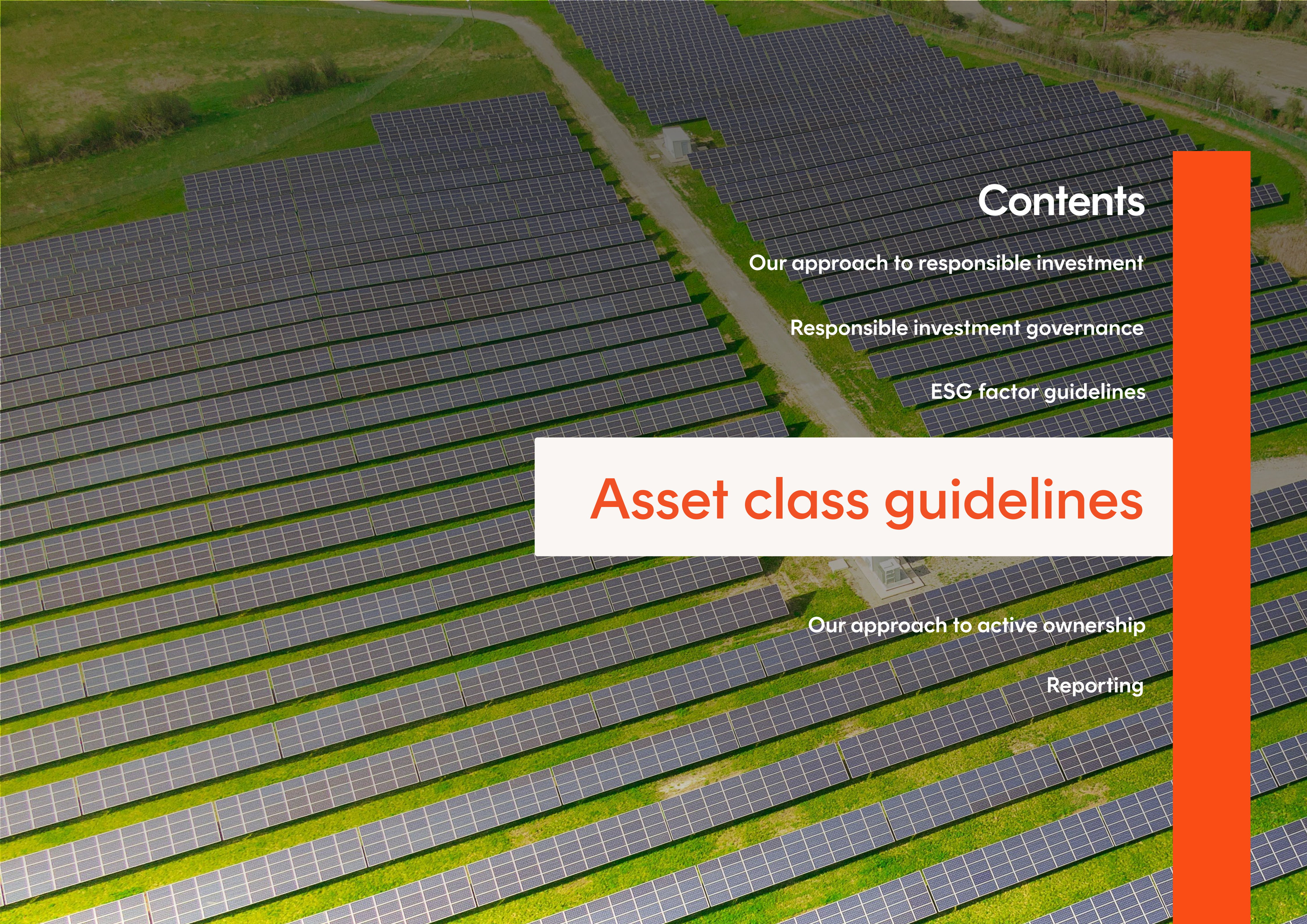
- Lay solid foundations for management and oversight
- Structure the board to be effective and add value
- Instil a culture of acting lawfully, ethically and responsibly
- Safeguard the integrity of corporate reports
- Make timely and balanced disclosure
- Respect the rights of security holders
- Recognise and manage risk
- Remunerate fairly and responsibly

[4] Note that depending on the activity materiality thresholds may be applied.

Governance failures can have severe impacts on shareholder value and result in fines and reputational damage, which has financial impacts. In Australia many of the unacceptable and unlawful behaviours uncovered by the Banking, Superannuation and Financial Services Royal Commission were the result of failures in corporate governance and the misalignment of incentives.

Where appropriate and to the extent possible we will incorporate corporate governance in our product design and construction process. Specifically with respect to our ethical products we will exclude companies with extremely poor corporate governance frameworks including but not limited to the failure to adhere to the principle of one share, one vote, and the failure to have sufficient independence in the composition of the board or key committees.

We will engage with companies on corporate governance issues and encourage the adoption of the ASX Principles and Recommendations. Where there has been a failure in corporate governance, we will engage with the company to understand the causes of the failure, its consequences and what remedial action the company plans to undertake. This engagement will inform our proxy voting and other stewardship activities. In the case of our ethical products, and subject to review by the RI Committee, we will divest from companies that have experienced a massive failure in corporate governance.



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# Asset class guidelines

## Listed equities

### ESG incorporation in listed equities

The investment product development governance process considers the extent to which material ESG issues are integrated into the product design and index construction methodology. The overriding considerations are the objectives and expectations of existing and/or target investors. Specific issues include:

- ESG themes - the extent to which the product is designed to capture exposure to a sustainability theme
- ESG risk – the extent to which a product will be materially impacted by ESG risk factors
- Negative Screening – the extent to which it is consistent with investor expectations to apply negative screens to exclude certain sectors or companies based on product involvement and business activity
- Norms-based Screening - the extent to which it is consistent with investor expectations to exclude certain companies based on non-compliance with international norms (e.g. the Universal Declaration of Human Rights and the UN Global Compact)
- Positive Screening - the extent to which it is consistent with investor expectations to tilt the portfolio overweight certain sectors or companies based on product involvement, business activity or ESG factor exposure.

Note that in many circumstances it is consistent with investor expectations not to include ESG considerations in the design and index construction methodology of a product.

### Stewardship in Listed Equities

Equity investment endows partial ownership to shareholders with associated influence and legal rights. As a signatory to the Principles of Responsible Investment, Betashares is committed to being an active owner. Betashares actively engages with targeted investee companies and votes proxy interests in order to advance better management of ESG issues. Betashares' approach to stewardship is detailed in our Approach to Active Ownership.

## Fixed income

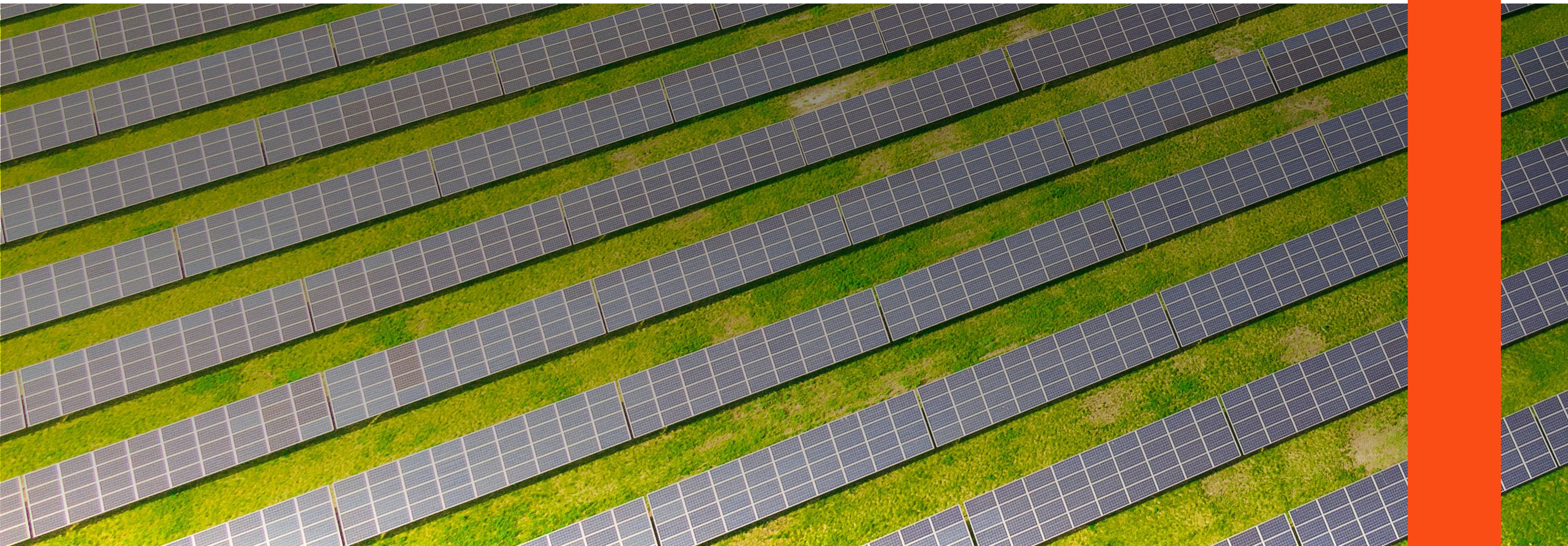
### ESG incorporation in fixed income

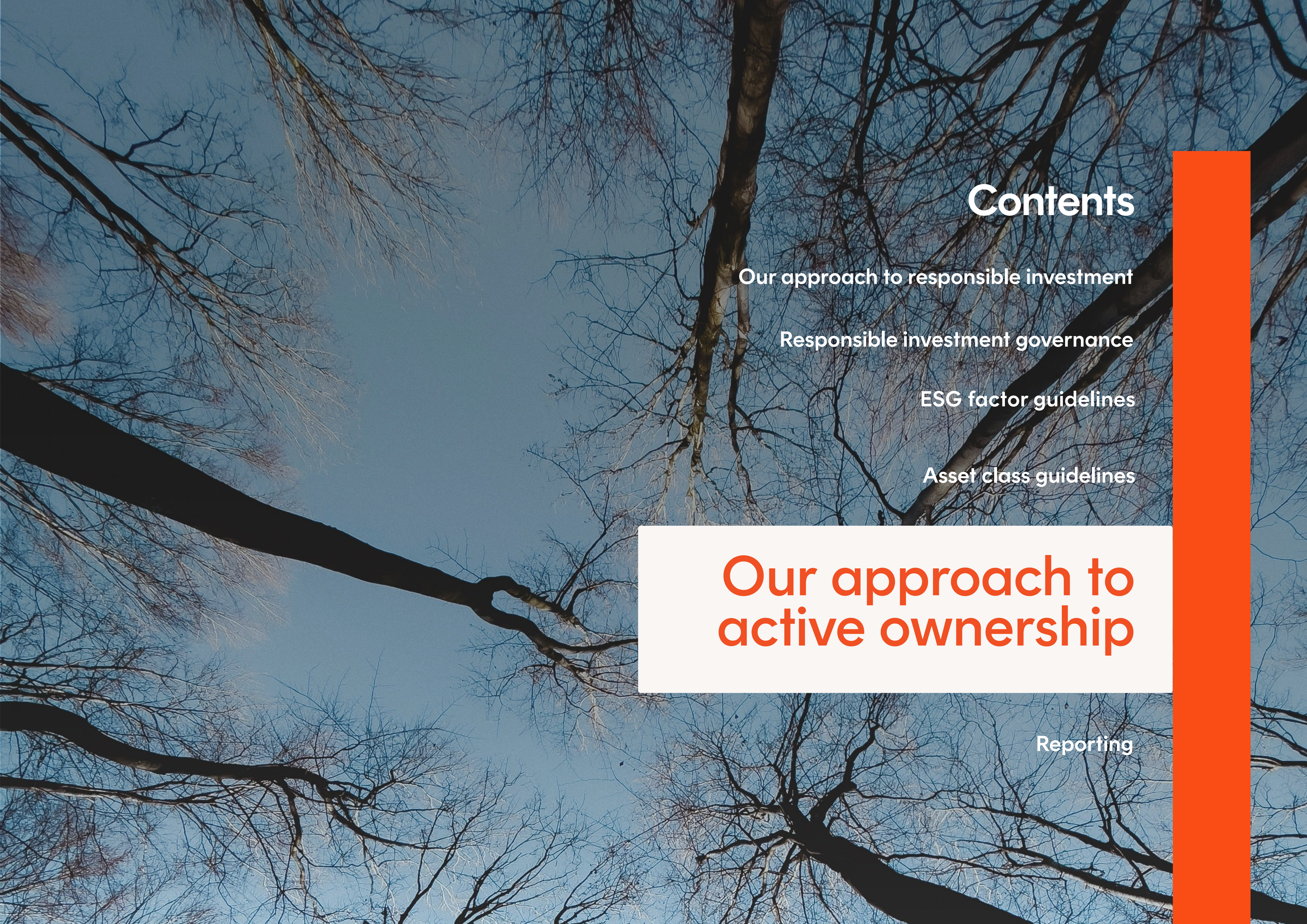
Fixed income investments cover a range of instruments and counterparties including sovereign governments, sub-sovereigns, supranationals, corporations (credit), asset-backed securities and cash and money market instruments. The investment product development governance process considers the extent to which material ESG issues are integrated into the product design and index construction methodology.

Specifically in relation to the Solactive Australian and Global Select Sustainability Leaders Bond TR Index (as tracked by the Betashares Sustainability Leaders Diversified Bond ETF), careful consideration was given to ESG issues in the development of the index construction methodology in order to offer investors a true-to-label ethical investment solution which directs capital to climate change solutions and sustainability leaders and excludes activities incompatible with ethical investing (refer: Appendix B:).

### Stewardship in fixed income

Although not owners of the entities they invest in, fixed income investors are still important stakeholders who can encourage issuers to improve their ESG risk management or develop more sustainable business practices. With specific reference to credit securities, the stewardship approach adopted in our ESG-themed fixed income fund mirrors that of our equity products. See **Our Approach to Active Ownership.**





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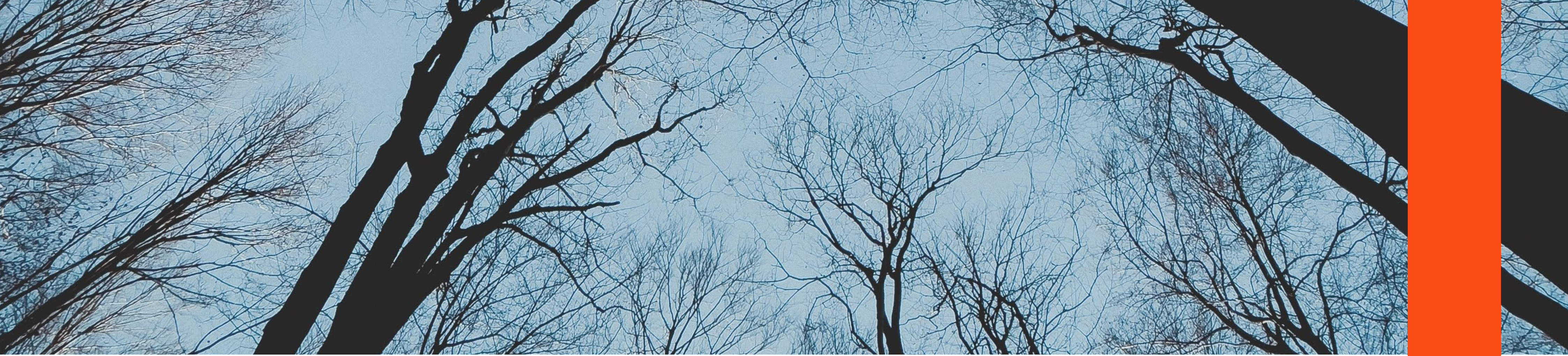


As a predominantly long-term holder of equity investments, we believe we have an obligation to act as stewards of the assets in which we invest and to behave as active owners, using our influence to promote the integrity of markets and good ESG practices. We believe such stewardship can help prevent value destruction and promote the transition to a more sustainable economy.

## Proxy voting

Having the right to vote at company shareholder meetings is one of the most effective tools we have for holding the companies in which we invest to account, encouraging good governance and driving improvements. The voting of proxy interests is therefore fundamental to our role as investment stewards. As a long term, active and responsible shareowner, we aim to exercise our voting rights in all the companies in which we invest, where it is practical to do so. Newly launched funds and certain funds where the cost of voting would be onerous to investors given low assets under management are excluded from proxy voting.

We use the services of a proxy adviser that provides us with governance research and voting recommendations. Proxies are voted according to a specific set of proxy voting guidelines formulated by the adviser with a stronger focus on incorporating ESG considerations (relative to more mainstream benchmark voting policies). The guidelines focus on economic value preservation and enhancement through promotion of corporate governance best practices that mitigate risks to shareowners, but also reflect the recognition that ESG factors can present material risks to portfolio investments. The policy was specifically formulated to be aligned with the stewardship principles of the PRI.

The proxy voting policy we apply is generally more progressive on proposals of ESG concern that seek standardised reporting, or that request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct, or universally recognised international initiatives to promote disclosure and transparency.

For example, the guidelines are generally supportive of proposals that promote:

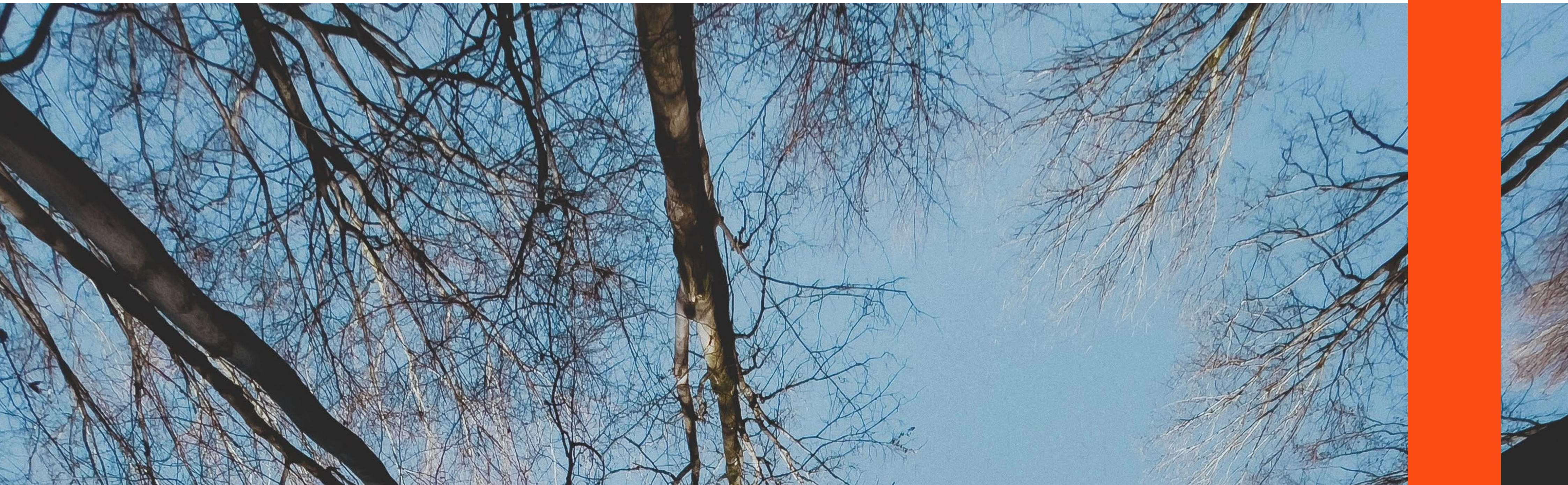
- Greater disclosure of corporate environmental policies relating to climate change and greenhouse gas or toxic emissions.
- Greater transparency of social policies such as those concerning workplace discrimination and corporate board diversification efforts, human rights, and compliance with human/labour rights/norms/codes of conduct.
- Reporting on sustainable business practices including recycling, wood procurement, water use, operations in sensitive or protected areas, energy efficiency/renewable energy, and incorporation of sustainability-related performance metrics into executive compensation setting.

We have the option to override the proxy recommendation should we deem the recommendation as not in the best interest of investors. As described below, we have done this regularly in our ethical funds.

In our ethical funds, we take an additional series of steps in relation to proxy voting. By investing in our ethical ETFs, investors demonstrate that they trust us with the job of managing their capital in a way that aligns with their values. These investors have a right to expect that we will use our influence as a shareholder in a way that promotes the values embedded in the ETFs. Accordingly, in our ethical funds the RI Committee independently reviews and advises on any shareholder resolutions that touch on matters of ESG concern. We take this extra step because we believe investors in our ethical funds have different expectations as to how these specific funds should exercise their votes, relative to investors in our other funds.

In our other funds we will from time to time change the ISS vote recommendation where we believe doing so is consistent with the principle of long-term sustainable value creation for our investors. This is typically done on an exceptions basis.

We publish details of all proxies voted on our website on an annual basis and welcome investor queries on voting rationales.



## Engagement

Betashares believes that being an engaged owner is one of the most effective ways to effect positive change in our investee companies, to avoid value destruction and to engender long term value creation. Our approach to engagement seeks to prioritise issues which are of importance to our clients and aligned with the objectives of our funds.

In our ethical funds, we apply strict ethical screens to ensure that we are only investing in companies whose business operations align with the fund's values. To ensure our investees stay aligned with these values, we complement our screening with consistent monitoring of all investee companies on ESG-related issues. This task is undertaken by the RI Committee.

Engagement activity can generally be classified as norms-based or thematic. Norms-based engagement is generally reactive to issues which are company specific. If an issue arises that is flagged by the RI Committee as potentially contradictory to a fund's ethical values, or where the RI Committee believes a company could improve its ESG performance, it engages with the investee company to understand the situation in more detail and advocate for improved corporate behaviour. Potential issues that may warrant engagement include:

- bribery and corruption
- consumer and public health
- corporate governance
- cyber security
- diversity
- environmental damage
- executive remuneration
- harassment and discrimination
- health and safety
- human rights
- privacy
- social impacts of corporate activity
- supply chain management
- transparency and disclosure

Our approach to engagement depends on the unique situation that has prompted the interaction. We consider a company's track record, how proactive it has been in response to the issue, and how willing it is to engage with us when determining our strategy. If an investee fails to engage or commit to improving, the RI Committee will consider additional actions, which may include removal from our ethical funds.

Thematic engagement is generally more pro-active and designed to promote improvement in ESG practices. Themes are chosen to align with the values embedded in our funds and prioritised on a materiality basis. Due to resourcing constraints, we have had limited opportunity for thematic engagement and will seek to expand our thematic engagement program over time.

Potential topics for thematic engagement include:

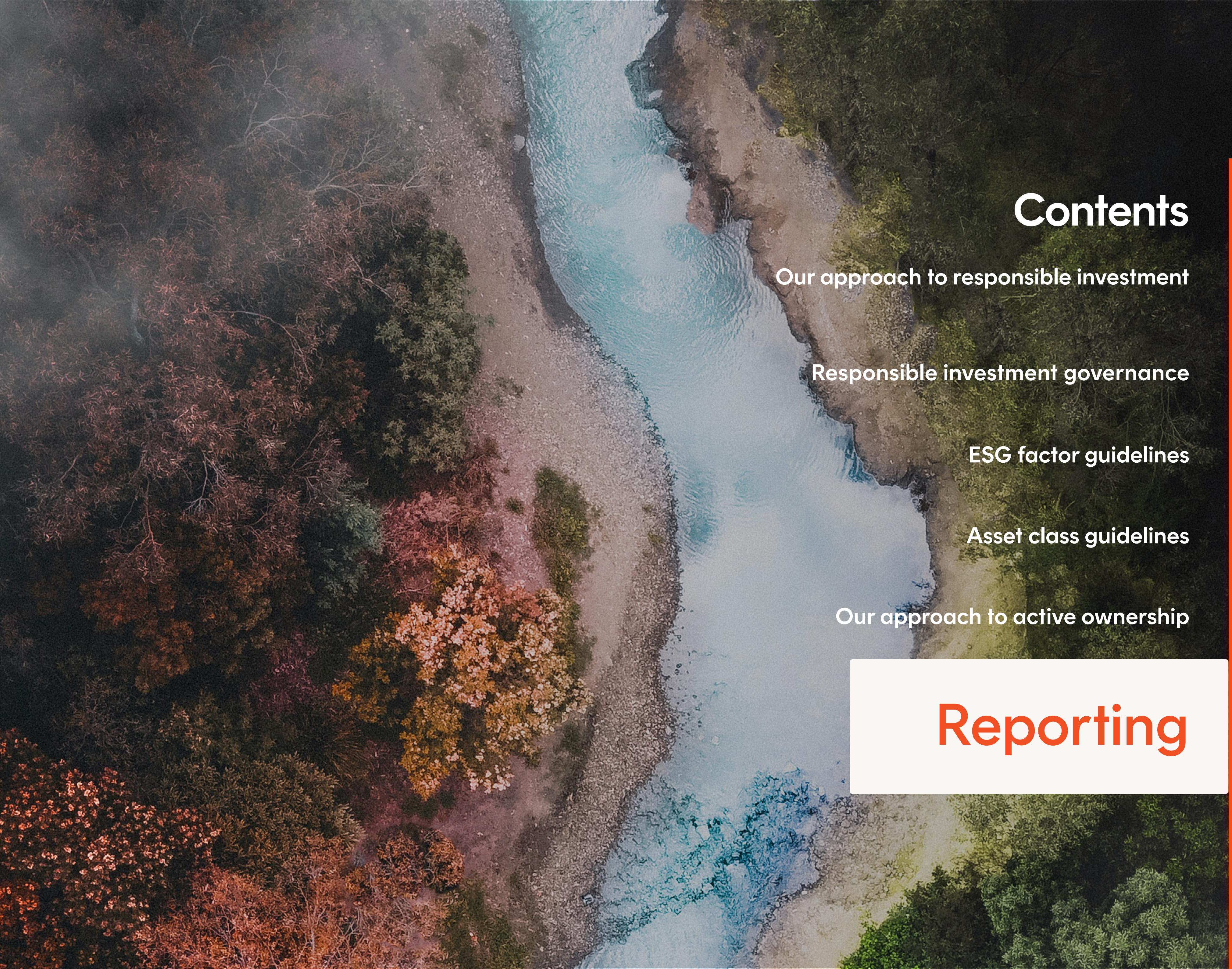
- capital management
- climate change physical and/or transition risk management
- emissions reduction (scopes 1, 2 and 3)
- environmental performance management
- non-financial metrics in executive remuneration
- non-financial disclosure standards
- supply chain management
- unconscious bias

## Collaboration

Collaboration with other investors is a mechanism that can be used to maximise the success of stewardship activities. Collaboration can include participation with other investors in specific investee company engagement activities or adding our signature to statements or letters calling for action on ESG issues. As a PRI signatory, we are committed to participating in collaborative engagement activities (Principle 2). Betashares will seek opportunities for collaborative engagement principally through the PRI Collaboration Platform but also though the support of RIAA initiatives and participation in Australian industry working groups.

## Policy engagement

From time to time, we will make industry consultation submissions and discuss ESG issues with policy makers including government and regulators with the objective of improving the integrity of capital markets or changing the regulation or guidance governing certain ESG issues.



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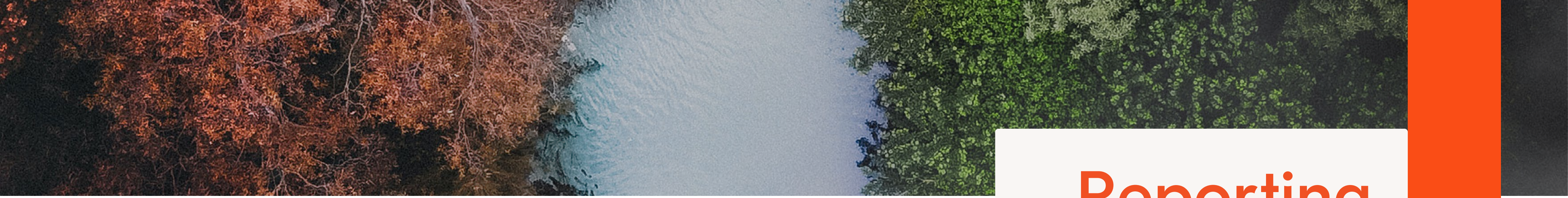

# Reporting

Betashares believes strongly in the principle of transparency, and we are committed to full disclosure of financial and non-financial information to our investors and stakeholders. We will regularly review our regular and ad hoc communications to ensure our investors and stakeholders are aware of the interconnected ESG factors that may impact their investments.

Our principle means of communication is our website which contains a dedicated section on our approach to ESG: **https://www.betashares.com.au/about-us/stewardship/**. Here we publish information on our investment principles, the operation of the RI Committee, proxy voting and engagement, and our approach to exclusions. Any updates to this policy will be available through our website.

Each year we will publish a Stewardship report which details our range of ethical and ESG-themed products and the indices they track. Additionally, we provide details of proxy voting and engagement activity undertaken over the prior twelve-month period with specific details as to the objectives of the activity, the actions taken, and as far as possible the resultant outcomes.

## Appendix A: Ethical and Responsible Investment Funds

| Fund | Category | Investment exposure | Index |
|---|---|---|---|
| Betashares Global Sustainability Leaders ETF (ASX: ETHI) | Ethical | Large global companies (currency hedged or unhedged) | Nasdaq Future Global Sustainability Leaders Index |
| Betashares Global Sustainability Leaders ETF – Currency Hedged (ASX: HETH) | | | |
| Betashares Australian Sustainability Leaders ETF (ASX: FAIR) | Ethical | ASX-listed companies | Nasdaq Future Australian Sustainability Leaders Index |

| Fund | Category | Investment exposure | Index |
|---|---|---|---|
| Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged (ASX: GBND) | Ethical | Global and Australian bonds | Solactive Australian and Global Select Sustainability Leaders Bond TR Index - AUD Hedged |
| Betashares Climate Change Innovation ETF (ASX: ERTH) | Impact | Global companies | Solactive Climate Change and Environmental Opportunities Index |
| Betashares Electric Vehicles and Future Mobility ETF (ASX: DRIV) | Sustainability-themed | Global companies | Solactive Future Mobility Index |
| Betashares Future of Food ETF (ASX: IEAT) | Sustainability-themed | Global companies | Foxberry Next Generation Foods USD Net Total Return Indexx |
| Betashares Solar ETF (ASX:TANN) | Sustainability-themed | Global companies | Solactive EQM Global Solar Energy Index |
| Betashares Energy Transition Metals ETF (ASX: XMET) | Sustainability-themed | Global companies | Nasdaq Sprott Energy Transition Materials Select Index |

# Appendix B: Exposure Limit Guidelines

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

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

The screening process considers a company's exposure to a range of industries/activities deemed inconsistent with responsible investment considerations. The percentage of the company's revenue derived from each industry/activity is assessed against a specified threshold.

The following exposure limit guidelines are applied to the ETHI and FAIR portfolios:

| Industry/Activity | Exposure limit guidelines (% of total revenue) | Explanatory notes |
|---|---|---|
| Fossil Fuels – direct | 0% | Companies which have fossil fuel reserves, fossil fuel infrastructure, or involved in the mining, extraction, burning of fossil fuels. |
| Fossil Fuels – indirect | 5% for products and services.<br>Excludes the largest global financers of fossil fuels, and financers of significant fossil fuel infrastructure. | Companies which provide products, services or finance which is specific to and significant for the fossil fuel industry; as well as companies with very high use of fossil fuels*.<br>*Except where more than 50% of company revenue is derived from renewable energy, resource efficiency, environmental solutions or energy efficiency products and services. |
| Gambling | 0% for casinos and manufacture of gaming products<br>5% for distribution of gambling products | |
| Tobacco | 0% for production or manufacture<br>5% for sale of tobacco products | See Appendix C |
| Uranium and Nuclear Energy | 0% for uranium mining and nuclear energy<br>5% for products and services to nuclear energy | See Appendix C |

| Industry/Activity | Exposure limit guidelines (% of total revenue) | Explanatory notes |
|---|---|---|
| Armaments and Militarism | 0% for manufacture of armaments and weapons 5% for specific and significant services to military and armaments manufacture | See Appendix C |
| Destruction of Valuable Environments | 0% | Companies which have direct negative impact on recognised World Heritage and High Conservation areas. |
| Animal Cruelty | 0% | Companies involved in live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products (ivory, foie gras etc). |
| Chemicals of Concern | 0% | FAIR: Companies which produce or use chemicals of concern recognised by UN Environmental Program, producers of agricultural chemicals.<br>ETHI: Companies which produce or use chemicals of concern recognised by UN Environmental Program, Gold and Silver miners. |
| Mandatory Detention of Asylum Seekers | 0% | Companies which operate detention centres. |
| Alcohol | 5% Production of alcohol<br>20% Sale of alcohol | Production or sale of alcohol. |
| Junk Foods | 33% | Companies that produce junk food. |
| Pornography | 0% for production of pornography<br>5% for sale of pornography | |
| Human Rights | n/a | Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption. |
| Board Diversity | n/a | No women on board of directors. |
| Payday Lending | 0% | Lending practices that impose unfair or abusive terms on a borrower. |

# Appendix C: Taxonomy/ Definitions/Conventions

## Armaments and militarism

Companies are excluded if they generate any revenue from:

- Manufacture, distribution, or service of combat equipment including vehicles, aircraft, ships, satellites, weapons, weapons systems and ammunition
- Manufacture, distribution, or service of combat equipment components including parts, weapon sub-systems and weapon system components which are specific and significant including software

Companies are excluded if they generate more than 5% of revenues from:

- Specific and significant services to companies that manufacture armaments and combat equipment
- Manufacture, distribution, or service of combat equipment that is not specific and significant
- Manufacture distribution or service of non-combat military systems and equipment including but not limited to non-combat military vehicles, surveillance, intelligence, training, and communications
- Military contractors including information technology, testing, maintenance, repair, operational support, intelligence, training, logistics, facilities management, and armed security in conflict zones.

Note: specific and significant means the product or service is specifically designed for military use. We differentiate between business-as-usual activities where the 'off the shelf' civilian product or service is indistinguishable from its military use such as the provision of office furniture or non-military vehicles, and those where the activity is specific to and significant for the excluded activities.

Sources:
Stockholm International Peace Research Organisation (SIPRI)
PAX

## Gender diversity

### Treatment of SPVs

The goal of the gender diversity screen is to ensure the organisations in which we invest benefit from the diversity of information, opinions, skills, and experiences female directors bring to a board[1] as well as addressing the systemic unconscious gender bias frequently found in corporate governance structures[2]. Where a negative screen on gender diversity is applied, an exclusion will apply to companies with no women on the board of directors.

Debt securities are frequently issued by special purpose vehicles (SPVs) which are non-operating legal entities established for financial risk management purposes. SPVs typically have no employees and the directors of SPV's are typically executives of the parent company. In applying the gender diversity negative screen, if the issuer is an SPV, reference will be made to the board of the parent company in the application of the screen, not the board of the SPV.

## Junk food

'Junk foods' are foods that lack nutrients, vitamins and minerals, and are high in kilojoules (energy), salts, sugars, and fats.[3]

## Nuclear weapons

Nuclear weapons are covered under the definition of Armaments and Militarism. Companies are excluded if they generate any revenues from the production of nuclear weapons, component parts and services.

Sources:

- UN Treaty on the Prohibition of Nuclear weapons https://undocs.org/A/CONF.229/2017/8
- ICAN and PAX: Don't Bank on the Bomb

## Tobacco

Companies are excluded if they generate any revenue from:

The production of tobacco and tobacco-based products including but not limited to:

- Cigarettes, cigars, loose tobacco
- Non-combustible tobacco products (chewing tobacco, snuff, snus)
- Tobacco derived or synthetic nicotine pouches
- Electronic nicotine delivery systems (e-cigarettes and vaping devices) as defined by the US Food and Drug Administration
- Devices specifically designed for the consumption of tobacco including pipes, water pipes, shishas etc.

Note that this does not apply to the manufacture of nicotine replacement therapies (NRT) and medication for the treatment of nicotine addiction as specified by the Australian Government Department of Health, which are not captured by this definition.

Companies are excluded if they generate more than 5% of revenues from:

- The distribution or sale of tobacco and tobacco-based products
- Tobacco packaging
- Flavorings specific and tailored to the tobacco industry

Sources:

- US Food & Drug Administration (USFDA)
- Australian Government Department of Health (www.health.gov.au)
- Tobacco Free Portfolios https://tobaccofreeportfolios.org/

[1] https://journals.sagepub.com/doi/abs/10.1177/014920630202800603?journalCode=joma
[2] https://www.tandfonline.com/doi/full/10.1080/23311908.2019.1691848
[3] https://www.healthdirect.gov.au/

## Uranium and nuclear

Companies will be excluded from the portfolio if they generate any revenue from:

- Uranium mining
- Nuclear energy

Companies will be excluded if they generate more than 5% revenue from

- Products or services to the uranium mining sector
- Products or services to the nuclear energy sector



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