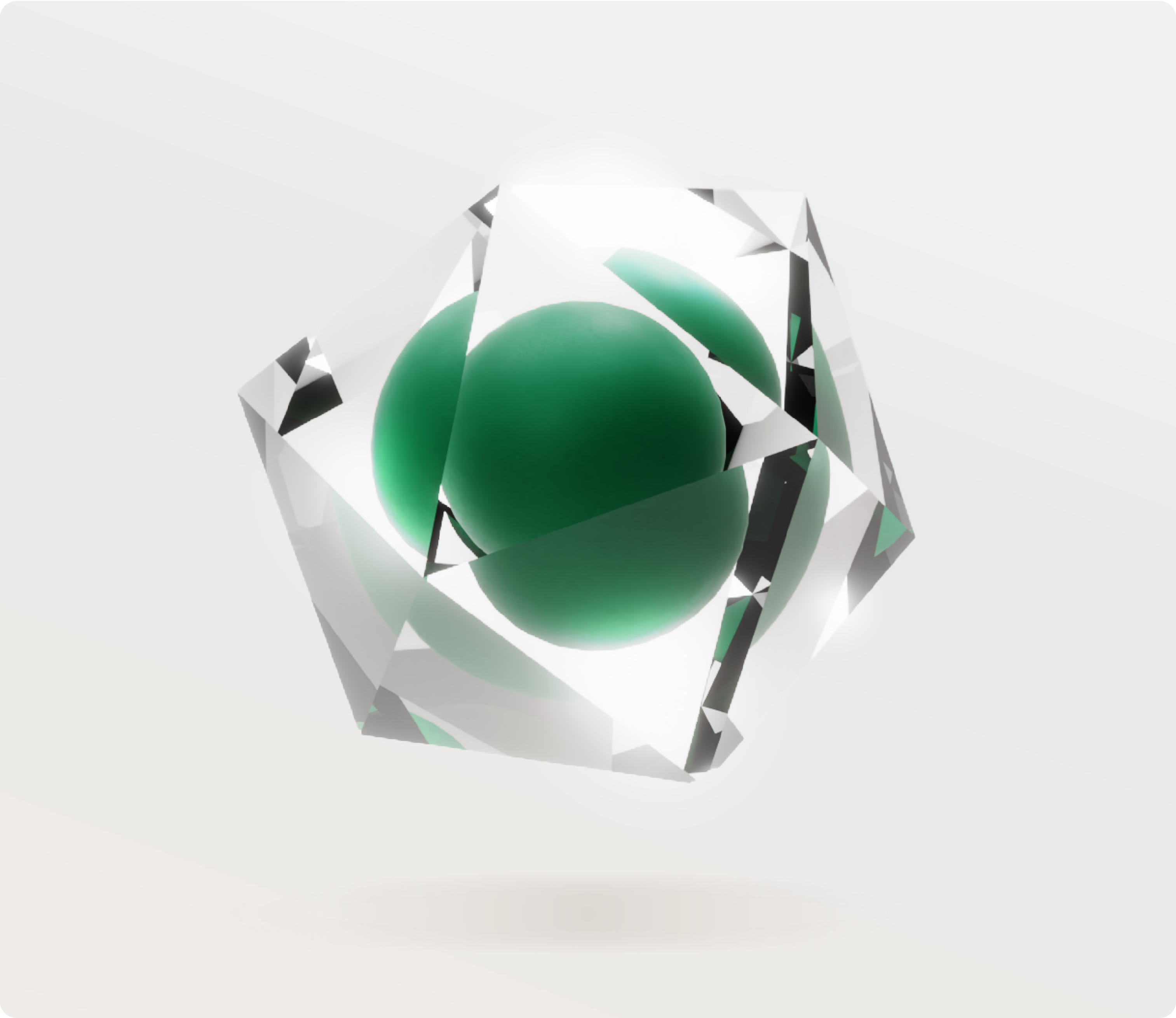

Betashares Ethical Managed Accounts Report

Quarter ending December 2025

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1. Introduction to the Betashares Ethical Managed Accounts Report

Betashares offers a suite of ethical portfolios that utilise exchange-traded products (ETFs and other exchange-traded products) or Australian direct equities to deliver transparent, diversified and cost-effective investment solutions for investors with differing risk profiles and investment objectives.

Betashares Australian Sustainability Leaders Portfolio	Betashares Ethical Balanced Portfolio
35 Stock Portfolio	50% Growth 50% Defensive

Betashares Ethical Growth Portfolio	Betashares Ethical High Growth Portfolio
70% Growth 30% Defensive	90% Growth 10% Defensive

Betashares Australian Sustainability Leaders Portfolio

The Betashares Australian Sustainability Leaders Portfolio holds approximately 35 of the largest and most liquid stocks from the portfolio held by the Betashares Australian Sustainability Leaders ETF (ASX: FAIR). The index that FAIR aims to track combines some of the most stringent environmental, social and governance (ESG) screens in the industry, with the portfolio offering the advantage to investors of directly holding an Australian equities portfolio.

Betashares Ethical Diversified Managed Accounts

Three multi-asset portfolios have been specifically developed for different risk profiles – Balanced, Growth and High Growth - designed to suit various financial circumstances and investment goals. In order to provide solutions for different investor risk profiles, the portfolios are built using varying allocations to ethical growth and defensive assets.

International shares are accessed via the Betashares Global Sustainability Leaders ETF (ASX: ETHI) and Australian shares through the Betashares Australian Sustainability Leaders Portfolio. Defensive assets are made up of international and Australian bonds and are accessed via the Betashares Global Green Bond Currency Hedged ETF (ASX: GBND).

These portfolios are built using strategic asset allocation assumptions that are reviewed by Betashares annually, to take into account prevailing economic and market conditions. The portfolios are rebalanced periodically to remain consistent with target allocations and risk profiles.

2. Market Review

Global equity and bond markets continued to enjoy overall positive returns during the December quarter of 2025, reflecting ongoing solid growth in corporate earnings and further US Federal Reserve interest rate cuts.

Market gains came despite uncertainty during a month-long shutdown of the US government and growing market concerns over the sustainability of the artificial intelligence (AI) boom. Simming geo-political tensions also lifted further by quarter-end, culminating in the US attack on Venezuela and capture of its president, Nicolás Maduro, to stand trial on drug-related charges.

In Australia equity and bond markets endured modest negative returns as an upside September quarter inflation surprise reduced the chances of further Reserve Bank interest rate cuts and increased the risk of a rate hike in the first half of 2026.

Global equities delivered another quarter of gains, underpinned by growth in corporate earnings – with US large-cap technology stocks continuing to report solid results. That said, global equity gains were relatively more muted than in the September quarter as market uncertainty over the AI boom and the US Government shutdown led to a pullback in valuations.

Global bonds also produced positive albeit somewhat smaller returns in the December quarter than in the September quarter, despite three 0.25% rate cuts by the US Federal Reserve over the period. Despite Federal Reserve rate cuts, US long-term bond yields remained largely unchanged, while they rose modestly in Europe and more notably in Japan. Sticky long-term bond yields likely reflected concerns over rising public debt levels and lingering inflation risks from the increase in US tariffs. Helping support bond returns, however, was a further narrowing in credit spreads.

Australian equities underperformed their global peers, ending the quarter on the back foot as a higher-than-expected inflation report caused local bond yields to rise notably. While resources remained a bright spot — boosted by resilient commodity prices and earnings upgrades — valuations across the broader market declined.

Australian bonds also produced negative returns over the quarter, reflecting the decline in fixed-rate bond valuations due to the rise in bond yields – which in turn reflected the inflation related shift in market expectations from anticipating further RBA rate cuts to fearing rate hikes sometime soon.

Growth vs. Defensive Assets

	Dec Qtr	Sep Qtr	6-months	12-months
Defensive Assets				
Bloomberg Australian Composite Bond Index	-1.15%	0.40%	-0.75%	3.17%
Bloomberg Global Aggregate Bond Index Hdg AUD	0.69%	1.02%	1.72%	4.42%
Growth Assets				
S&P/ASX 200 Index	-1.02%	4.71%	3.65%	10.31%
MSCI World Ex Australia Equity Index AUD	2.55%	6.14%	8.85%	12.53%

Source: Bloomberg. As at 31 December 2025. Past performance is not indicative of future performance. You cannot invest directly in an index.

3. ESG Commentary

International

The COP30, held in Belém, Brazil in November 2025, delivered modest but meaningful progress on climate implementation rather than a step-change in ambition. Governments reaffirmed commitment to the Paris Agreement and agreed to scale adaptation finance, with greater emphasis on physical climate risks, resilience and delivery in emerging markets. The conference advanced work on global adaptation metrics and endorsed a "Just Transition" framing but stopped short of binding commitments on fossil-fuel phase-outs or large new pools of concessional capital.[1]

For investors, COP30 reinforced several existing signals rather than resetting expectations. First, physical climate risk and adaptation are becoming investable themes, particularly across infrastructure, utilities, insurance and sovereign risk. Second, policy uncertainty remains high: climate ambition continues to diverge by region, underscoring the need for jurisdiction-specific risk assessment rather than reliance on global pledges. Finally, the absence of major new mandates suggests that capital markets, disclosure regimes and national policies, rather than COP outcomes alone, will continue to drive transition-related returns.[2]

In the final quarter of 2025, Europe's corporate sustainability framework faced a significant rollback that has drawn concern from market participants and civil society. The European Parliament and Council reached a provisional deal to weaken key elements of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) by raising thresholds for reporting and narrowing due diligence obligations — including dropping mandatory climate transition plans and limiting reporting to only the largest firms by turnover and headcount. Investors have warned that reduced transparency and comparability of ESG data will make it harder to assess transition alignment and climate risk, potentially undermining confidence in European sustainable markets.[3,4,5]

Australia

Shareholder opposition to executive pay remained a material governance issue during the 2025 AGM season. Under Australia's two-strikes rule, a remuneration report attracts a "strike" when 25% or more of votes cast oppose it, with a second consecutive strike potentially triggering a board spill resolution. In 2025, around 30 companies in the S&P/ASX 300 recorded remuneration strikes, slightly fewer than in 2024 but still indicative of sustained investor activism on pay outcomes. A small number of issuers faced second consecutive strikes, most notably ANZ Group Holdings, where investor dissent centred on perceived misalignment between executive incentives, performance outcomes and broader stakeholder expectations.[6,7] Proxy advisers and institutional investors cited pay-for-performance misalignment, cost-of-living pressures and concerns about long-term value creation as key drivers of dissent.[8]

A study on modern slavery disclosures within ASX100 companies reveals that while reporting on modern slavery risks among ASX100 companies has improved, significant gaps remain. Utilities (e.g., AGL Energy, APA Group, Origin Energy), consumer staples (Woolworths, Coles) and real estate firms led disclosure quality, but healthcare and information technology sectors performed poorly, mainly due to weak supply chain risk descriptions, inadequate due diligence and limited remediation details. The proportion of companies achieving an 'A' grade modern slavery statement rose sharply from 3% in 2020–21 to 58% in 2024–25, reflecting stronger compliance with reporting mandates. However, Australia's first Anti-Slavery Commissioner, Chris Evans, emphasised that better national commitment, clearer reporting criteria and robust due diligence requirements are still needed to lift disclosure quality further and drive meaningful action against modern slavery.[9]

Green Bonds

The global green bond market passed US$3 trillion in outstanding volume by the end of the third quarter of 2025, marking a symbolic milestone that highlights the sector's durability despite higher interest rates and geopolitical uncertainty. Issuance totalled around US$467 billion in Q3, broadly flat year on year, keeping momentum intact even as activity softened in parts of Europe and the Americas. Growth was led by Asia-Pacific, with onshore Chinese issuance doubling, while corporate borrowers, particularly financials, utilities and industrials, remained the dominant source of supply. Sovereign and sovereign-linked issuance also expanded, reinforcing the role of governments in anchoring the market. Use-of-proceeds continues to broaden, extending beyond mitigation into adaptation and resilience, as issuers respond to rising physical climate risks. Overall, the market's roughly 30% compound annual growth over five years underscores sustained investor demand for climate-aligned fixed income.[10]

[1] https://www.wri.org/insights/cop30-outcomes-next-steps?

[2] https://www.msci-institute.com/themes/climate/no-major-progress-but-no-retreat-what-cop30-means-for-investors/?

[3] https://www.europarl.europa.eu/news/en/press-room/20251106IPR31296/sustainability-reporting-and-due-diligence-meps-back-simplification-changes?

[4] https://www.theguardian.com/world/2025/dec/16/green-groups-eu-betrayal-vote-reduce-oversight-firms?

[5] https://www.reuters.com/sustainability/boards-policy-regulation/eu-sustainability-cutbacks-make-low-carbon-leaders-harder-spot-2025-12-10/?

[6] https://www.afr.com/markets/equity-markets/the-great-tech-revolt-and-4-other-surprising-stats-from-agm-season-20251127-p5nizg

[7] https://www.investordaily.com.au/anz-shareholders-hand-down-second-strike-at-sydney-agm/

[8] https://www.aicd.com.au/board-of-directors/career/salary/remuneration-committees-busier-than-ever.html?

[9] https://www.fssustainability.com.au/improvements-needed-in-modern-slavery-disclosures-report

[10] https://www.lseg.com/en/insights/green-debt-market-passes-3-trillion-milestone

4. Ethical Diversified Managed Accounts Review

	Aus. Equity	Portfolio Weights As at end of December 2025 Balanced	Growth	High Growth
Defensive Assets	**0%**	**49.51%**	**29.60%**	**9.83%**
Betashares Ethical Australian Composite Bond ETF (ASX: AEBD)	0%	29.57%	17.68%	5.87%
Betashares Green Bond Currency Hedged ETF (ASX: GBND)	0%	19.94%	11.92%	3.96%
Growth Assets	**100%**	**50.49%**	**70.40%**	**90.17%**
Betashares Global Sustainability Leaders ETF (ASX: ETHI)	0%	22.04%	30.83%	39.31%
Betashares Global Sustainability Leaders Currency Hedged ETF (ASX: HETH)	0%	9.79%	13.55%	17.54%
Betashares Australian Sustainability Leaders Model Portfolio	100%	18.66%	26.02%	33.32%
Fees (Investment Management Fee + Underlying ICR)*	**0.49%**	**0.56%**	**0.57%**	**0.59%**

*As at 31 December 2025. The Underlying ICR is the weighted average management costs of the underlying funds in the portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These indirect costs do not include certain other costs, such as transaction costs (e.g. brokerage or bid ask spreads) that investors incur when implementing their portfolios or any costs charged for use of any applicable platform.

4.1 Australian Sustainability Leaders Portfolio Performance

	Total Return performance as at 31 December 2025
Total Returns	
1 month	-3.12%
3 months	-6.63%
6 months	-7.00%
1 year	-0.96%
3 year p.a.	10.79%
Since inception*	4.47%
Volatility since inception*	15.16%

*Since inception (1 October 2021). Past performance is not an indicator of future performance. Portfolio returns are calculated by reference to the portfolio's value at the start and end of the specified period, assume reinvestment of any distributions back into the portfolio, and do not take into account tax paid as an investor. Returns are after management costs incurred, but do not reflect the transaction costs (e.g. brokerage) that investors incur when implementing their portfolios.

The Betashares Australian Sustainability Leaders Portfolio returned -6.63% during the quarter.

Basic Materials and Consumer Staples were the portfolio's best performing sectors, with returns of 61.80% and 9.95%, contributing 1.56% and 0.46% respectively. Technology and Healthcare were the worst performing sectors with returns of -26.75% and 11.06%, and contributions of -2.94% and -2.12% respectively.

PLS Group, Woolowrths and Ramsay Health Care Ltd were the three best performing stocks with returns of 67.46%, 10.04% and 8.29%; their contributions were 1.41%, 0.41% and 0.41% respectively. Xero, Pro Medicus and Nextdc Ltd were the worst performers, returning -27.61%, -28.36% and -25.95%; they contributed -1.42%, -0.90% and -0.84% respectively.

4.2 Australian Sustainability Leaders Portfolio

	Holdings as at 31 December 2025
Telstra Group Ltd	5.7
Brambles Ltd	5.1
Scentre Group	4.8
Woolworths Group Ltd	4.8
Goodman Group	4.6
PLS Group Ltd	4.4
ResMed Inc Chess Depository Interest	4.1
Suncorp Group Ltd	4.1
Computershare Ltd	4.1
Insurance Australia Group Ltd	4
Xero Ltd	4
CSL Ltd	3.9
JB Hi Fi Ltd	3.7
Cochlear Ltd	3.5
Stockland Corp Ltd	3.1
CAR Group Ltd	2.8
Medibank Pvt Ltd	2.6
Vicinity Centres	2.5
Charter Hall Group	2.5
Pro Medicus Ltd	2.4
GPT Group	2.3
Sonic Healthcare Ltd	2.3
ASX Ltd	2.2
Technology One Ltd	2
Seek Ltd	2
REA Group Ltd	2
Nextdc Ltd	1.9
Eagers Automotive Ltd	1.5
Fisher & Paykel Healthcare Corp Ltd	1.4
Ramsay Health Care Ltd	1.3
Bendigo and Adelaide Bank Ltd	1.2
Steadfast Group Ltd	1.2
The a2 Milk Co Ltd	0.9
TPG Telecom Ltd Ordinary Shares	0.6
Sims Ltd	0.6
Total	**100%**

No assurance is given that any of the companies in fund's portfolio will remain in the portfolio or will be profitable investments.

4.3 Ethical Diversified Managed Accounts Performance

Total Return performance as at 31 December 2025	Balanced	Growth	High Growth
Total returns			
1 month	-1.06%	-1.22%	-1.38%
3 months	-1.20%	-1.39%	-1.57%
6 months	0.30%	0.50%	0.71%
1 year	3.39%	3.63%	3.88%
3 years p.a	9.63%	11.99%	14.30%
Since inception*	3.30%	5.23%	7.12%
Volatility since inception p.a.*	8.91%	10.38%	11.98%

*Since inception (1 October 2021). Past performance is not an indicator of future performance. Portfolio returns are calculated by reference to the portfolio's value at the start and end of the specified period, assume reinvestment of any distributions back into the portfolio, and do not take into account tax paid as an investor. Returns are after management costs incurred, but do not reflect the transaction costs (e.g. brokerage) that investors incur when implementing their portfolios.

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4.4 Betashares Global Sustainability Leaders ETF (ASX: ETHI)

The Fund returned 1.19% (in AUD) during the quarter. Assets increased from $3730.68m to $3799.90m over this period.

Health Care and Financials were the largest sector contributors to total return, with returns of 7.48% and 2.55% in AUD; their contributions were 0.92% and 0.60%, respectively. Industrials was the largest sector detractor with a return of -5.24%, and a contribution of -0.34%.

Broadcom, Toyota, and Applied Materials Inc were the three largest stock contributors to total return, and with returns of 4.45%, 10.28% and 25.00% in AUD; their contributions were 0.31%, 0.27% and 0.26% respectively. Home Depot, ServiceNow and Strategy Inc were the largest detractors, returning -15.05%, -17.29% and -53.13% in AUD; they contributed -0.58%, -0.29% and -0.26% respectively.

5. Proxy Voting

During the quarter, the Responsible Investment Committee (RIC) actively engaged in proxy voting on ESG resolutions for portfolio constituents. Notable issues where the RIC voted against management included:

Company	Ticker	Proposal text	Management recommendation	Rationale
RPM International Inc.	**RPM**	Ratify Auditors	For	Voted 'Against' the proposal, as the non-audit fees represented 25.95% of the total fees received by the auditor during the fiscal year, raising substantial doubts over the independence of the auditor.
NextDC	**NXT**	Approve Remuneration Report	For	Voted 'Against' remuneration report due to concerns that executive pay outcomes were misaligned with shareholder returns and long-term performance, with insufficient justification for incentive outcomes relative to delivery.
Aussie Broadband Limitted	**ABB**	Elect Michael Omeros as Director	For	Voted 'Against' incumbent nominating committee members for lack of diversity on the board.
Tesla	**TSLA**	Advisory vote on executive compensation (Item2) and approval of 2025 CEO performance award (Item 4)	For	Voted 'Against' executive remuneration proposals due to concerns that the unprecedented scale of the CEO pay package, weakly calibrated performance hurdles, excessive board discretion and significant potential dilution were not aligned with long-term shareholder interests or robust governance.

6. Engagement

Company name	Theme	Summary of engagement
Woolworths Group (WOW)	Environment	The RIC engaged with Woolworths Group Limited following media and stakeholder commentary questioning the company's commitment to sourcing deforestation-free beef. In August 2025, the Australian Conservation Foundation raised concerns that Woolworths may have stepped back from its stated 2025 commitment, citing disclosures in the company's 2025 Sustainability Report that lowered the deforestation risk ranking assigned to beef.[11] Similar concerns were raised at Woolworths' annual general meeting in late October 2025, where civil society groups and investors called for stronger action to protect Australia's forests and bushland.[12] The RIC sought clarification from Woolworths regarding the status and scope of its deforestation-free beef commitment. Woolworths confirmed that Australian fresh beef is covered under its No Deforestation Policy, published in late 2024 and commencing on 31 December 2025. The company advised that the policy has been actively communicated to suppliers, including beef producers, throughout 2024 and 2025. Woolworths also stated that it will continue to work with suppliers to support implementation and will provide market updates on progress across deforestation-linked commodities, including beef. The engagement aimed to clarify Woolworths' approach to deforestation risk management and its alignment with broader climate and decarbonisation commitments. The RIC will continue to monitor developments and assess any implications for Woolworths' deforestation risk management and broader sustainability governance practices.

Company name	Theme	Summary of engagement
Apple Inc. (AAPL)	Social	The RIC engaged with Apple Inc. following media reports raising concerns about labour practices at Foxconn, one of Apple's largest suppliers. The reports related to alleged breaches of local labour laws at Foxconn's primary iPhone manufacturing facility in Zhengzhou, including the excessive use of temporary workers beyond statutory limits, excessive overtime, discriminatory hiring practices, wage and benefits issues, occupational health and safety risks, and allegations of harassment and intimidation.[13] In its response, Apple reaffirmed its commitment to high standards of labour rights, human rights, environmental stewardship and ethical conduct across its supply chain. The company stated that its suppliers are contractually required to meet these standards and that compliance is monitored through regular third-party audits. Apple also advised that its own teams were deployed on site to commence an immediate investigation. The purpose of the engagement was to better understand Apple's oversight, audit processes and remediation approach in relation to supplier labour practices. The RIC will continue to monitor developments and assess any implications for Apple's supply-chain risk management and governance practices.
European Investment Bank (EIB)	Social	The RIC engaged with European Investment Bank (EIB) following reports that it approved €106.7 million to fund two highway sections in southern Georgia. Research by Green Alternative and CEE Bankwatch Network alleged breaches of EIB Environmental and Social Standards, particularly on involuntary resettlement, stakeholder engagement and protections for vulnerable groups.[14] In response, the EIB acknowledged the concerns, confirmed engagement with the NGOs, and stated it is monitoring the projects and advising the promoter on corrective actions. The EIB reported that it conducted a monitoring visit in October 2025 and is reviewing the promoter's environmental and social performance, including mitigation measures and grievance mechanisms. While no indicative timelines were provided for dispute resolution, the EIB confirmed complaints are handled under its formal Complaints Mechanism, with outcomes to be published once finalised. The RIC will continue to monitor developments and assess the EIB's response to these issues, including any implications for its adherence to Environmental and Social Standards and the management of social and environmental risks in project financing.

[11]https://www.acf.org.au/news/woolworths-walks-back-its-deforestation-commitment-only-a-day-after-coles-beefs-up-its-policy

[12]https://wilderness.org.au/news-events/deforestation-dominates-woolworths-agm-as-shareholders-demand-urgent-action

[13]https://www.business-humanrights.org/en/latest-news/china-foxconn-workers-producing-iphone-still-subject-to-wage-withhold-illegally-long-working-hours-coercion-of-student-workers-and-intimidation-new-report-alleges/

[14]https://bankwatch.org/publication/highway-of-injustice-how-eib-financed-east-west-road-projects-in-georgia-impact-local-communities

The Betashares Sustainability Leaders Managed Accounts and Ethical Diversified Managed Accounts have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details*

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