



# Match your investments with your values

An introduction to ethical investing with Betashares

# 88%

## of Australians expect their super or other investments to be invested responsibly or ethically<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 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>2</sup>

<sup>1</sup> [https://responsibleinvestment.org/wp-content/uploads/2024/03/From-Values-to-Riches-2024\\_RIAA.pdf](https://responsibleinvestment.org/wp-content/uploads/2024/03/From-Values-to-Riches-2024_RIAA.pdf)

<sup>2</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\$5.66B (as at 30 September 2024).
- **Transparent**  
See what the ETF is holding in its portfolio at any time on our website.
- **Cost-effective**  
Each of the Betashares ethical ETFs aim to track the performance of an index, making them a cost-effective option.

## Betashares Global Sustainability Leaders ETF

(ASX: ETHI)



CERTIFIED BY RIAA

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.

## Betashares Global Sustainability Leaders Currency Hedged ETF

(ASX: HETH)



CERTIFIED BY RIAA

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.

## Betashares Australian Sustainability Leaders ETF

(ASX: FAIR)



CERTIFIED BY RIAA

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.

## Betashares Global Green Bond Currency Hedged ETF

(ASX: GBND)



CERTIFIED BY RIAA

Exposure: global green bonds  
Management costs: 0.39% p.a.

- GBND provides exposure to a portfolio of global green bonds (using the definition applied by the Climate Bonds Initiative), issued specifically to finance environmentally friendly projects, denominated in Euro or US dollars, that have been screened to avoid bond issuers with material exposure to activities deemed inconsistent with responsible investment considerations.

The Betashares Global Sustainability Leaders ETF (ETHI), Betashares Global Sustainability Leaders Currency Hedged ETF (HETH), Betashares Australian Sustainability Leaders ETF (FAIR) and Betashares Global Green Bond Currency Hedged ETF (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.

## Betashares Ethical Australian Composite Bond ETF

(ASX: AEBD)

Exposure: Australian bonds  
Management costs: 0.34% p.a.

- AEBD is designed to serve as a core fixed income allocation for investors seeking a true-to-label ethical fixed income solution. It aims to track the performance of an index (before fees and expenses) that provides exposure to a diversified portfolio of high-quality Australian corporate and government bonds. The bonds are screened to exclude issuers (other than sovereign bond issuers) with material exposure to fossil fuels or engaged in activities considered inconsistent with responsible investment considerations.

## 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 or bonds from issuers whose activities have detrimental impacts on people, society, or the environment, offering investors a true to label, ethical investment option.

**ETHI/HETH, FAIR, GBND** and **AEBD** 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 and AEED, 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 Betashares Ethical Diversified ETFs are built using varying allocations to ethical growth assets (international and Australian shares, accessed via ETHI and FAIR) vs. defensive assets (global bonds, accessed via GBND, and Australian bonds, accessed via AEED). 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/AEED 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 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).

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