



# Betashares Australian Sustainability Leaders ETF

**ASX: FAIR**

**Quarterly Report - December 2024**

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Performance <sup>1</sup>	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. <sup>2</sup>
Fund Return (net)	-3.65%	0.40%	9.84%	15.91%	3.17%	7.69%
Growth Return	-3.65%	0.40%	8.46%	13.13%	0.42%	4.85%
Income Return	0.00%	0.00%	1.38%	2.78%	2.75%	2.84%
Index	-3.61%	0.53%	10.17%	16.54%	3.67%	8.22%

Past performance is not a reliable indicator of future performance.

<sup>1</sup>As at 31 December 2024. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup>Inception date for the Fund is 27 Nov 2017.

## Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to Australian companies that have passed screens to exclude companies with direct or significant exposure to fossil fuels or engaged in activities deemed inconsistent with responsible investment considerations. The Fund's methodology also preferences companies classified as 'Sustainability Leaders' based on their involvement in business activities aligned to the United Nations Sustainable Development Goals.

## Responsible entity

Betashares Capital Ltd

## Distribution frequency

Semi-annual

## Suggested minimum investment timeframe

At least five years

Fund facts	
Inception Date	27-Nov-17
Fund Size	\$1122.87m
Historical Tracking Error (annualised)	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

  

Fees	% p.a.
Management fee	0.39
Recoverable expenses	0.10

## Investment strategy

The Fund generally invests in a portfolio of Australian securities that comprise the Index in proportion to the weightings of the securities in the Index.

## Screening criteria

From the universe of eligible ASX listed securities, the Index methodology removes companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds), including:

- Fossil Fuels – including any direct and any material indirect exposure + any companies with very high use of fossil fuels
- Gambling
- Tobacco

- Armaments and militarism
- Uranium and nuclear energy
- Destruction of valuable environments
- Chemicals of concern
- Mandatory detention of asylum seekers and for-profit prisons
- Alcohol
- Junk foods
- Pornography
- ESG related reputational risk or controversy
- Human and labour rights violations
- Lack of gender diversity at the board level
- Predatory lending

Preference is given to companies engaged in sustainable activities that have been identified as "Sustainability Leaders". To be classified as a Sustainability Leader, a company must satisfy at least one of a number of criteria, which have been determined by reference to the United Nations Sustainable Development Goals. The criteria generally require a company to earn 50% or more of gross revenue from activities in at least one of the following categories:

- Climate Adaptation
- Nutrition, Agriculture and Land Use
- Improved Industrial Processes, Improved Materials and Pollution Reduction
- Healthcare
- Transportation Solutions
- Education
- Water Efficiency
- Renewable Energy and Energy Efficiency
- Green Buildings
- Sustainable Tourism
- Sustainable and Regional Infrastructure
- Social and Community Housing
- Worker and Consumer Protection
- Regional and Community Banking, or
- Have a Relevant Certification

Note that not every security in the Index is necessarily a Sustainability Leader (but every security will have met the above screening criteria).

The Index uses a modified market capitalisation weighting method, includes sector concentration limits, gives preferential weighting to Sustainability Leaders, and applies a maximum weight per security of 4% at each annual rebalance date.

For more information on the Index, see the Index methodology document available on our website.



Top 10 positions	% <sup>1</sup>
Xero	4.2
Suncorp Group	4.2
Goodman Group	4.2
Brambles	4.1
ResMed Inc	4.0
Telstra Corp	4.0
WiseTech Global	4.0
Insurance Australia Group	3.6
CSL	3.6
Computershare	3.4

<sup>1</sup>As at 31 December 2024

Sector exposure	Fund Weight % <sup>1</sup>
Health Care	20.5
Financials	16.7
Real Estate	16.5
Information Technology	13.0
Communication Services	11.5
Industrials	9.6
Consumer Discretionary	5.0
Consumer Staples	4.1
Materials	3.1
Utilities	0.0
TOTAL	100.00

<sup>1</sup>As at 31 December 2024

## Fund performance summary

The Fund returned 0.40% (in AUD) during the quarter. Assets decreased from \$1,353.52m to \$1,122.87m over this period.

Health Care and Financials were the largest sector contributors to total return, with returns of 5.29% and 6.38% in AUD; both contributions were equal at 1.01%. Real Estate was the largest negative sector contributor with a return of -6.51%, and contribution of -1.12%.

Computershare, Pro Medicus and Xero were the largest three stock contributors to total return, and with returns of 34.35%, 40.32% and 12.79% in AUD; their contributions were 0.87%, 0.66% and 0.49% respectively. Pilbara Minerals, WiseTech and Reece were the largest detractors, returning -33.03%, -11.76% and -20.95% in AUD; they contributed -0.56%, -0.52% and -0.34% respectively.

## Other commentary

The Australian Sustainable Finance Institute (ASFI) launched a second consultation on its proposed Australian sustainable finance taxonomy. The document released covered technical screening criteria (TSCs) for six sectors as well as a Do No Significant Harm (DNSH) framework and Minimum Social Safeguards (MSS) requirements.

The document did not appear to address concerns raised by the Responsible Investment Association of Australasia (RIAA) and others in response to the first consultation, that proposed TSCs were not consistent with the objectives of credibility and contributing to Australia's achievement of its emission reduction targets. In commenting on TSCs relating to the Acquisition and Ownership of Buildings,

RIAA noted that "some sectors could be rewarded for activities which do not actually reduce carbon emissions".<sup>1</sup>

ASIC has urged financial services and credit licensees to ensure their governance practices keep pace with their accelerating adoption of artificial intelligence. ASIC's first report on the use and adoption of AI by 23 licensees found there was potential for governance to lag AI adoption, despite current AI use being relatively cautious. ASIC's findings revealed nearly half of the reviewed licensees did not have policies in place that considered consumer fairness or bias, and even fewer had policies governing the disclosure of AI use to consumers.<sup>2</sup>

<sup>1</sup><https://responsibleinvestment.org/wp-content/uploads/2024/12/20241201-RIAA-Submission-Australian-Sustainable-Finance-Taxonomy-Second-Public-Consultation-FINAL.pdf>

<sup>2</sup><https://download.asic.gov.au/media/mtllqjo0/rep-798-published-29-october-2024.pdf>

## Proxy voting & engagement

During the quarter, the Responsible Investment Committee (RIC) actively engaged in Proxy Voting on Environmental, Social, and Governance (ESG) resolutions for index constituents.

### Voting activities in Q4 2024

	Number	Proportion of total
Votes lodged	257	100%
Votes against management	152	43%

### Votes against management by topic

	Number	Proportion of total
Governance	150	99%
Social	0	0%
Environmental	2	1%

The RIC engaged with WiseTech Global following media reports relating to the alleged actions and behaviours of CEO Richard White in his personal capacity, and that the company had failed to disclose the salary of a key management personnel between 2017 and 2020. The RIC met with the Chair to understand the steps being taken to address shareholder concerns relating to the media reports. The company subsequently released an initial report into the findings of a review that was conducted following the media reports. Following the release of the initial findings, the RIC wrote to the company requesting further information and detail relating to the findings and review.

The RIC met with Woodside Director and Chair of the Human Resources and Compensation Committee Arnaud Breuillac to discuss a range of issues. These included remuneration arrangements for senior executives and whether it was in the interest of shareholders for fossil fuel companies facing climate change transition risks to incorporate production volume metrics in bonus structures. The RIC advocated for incentive structures to be primarily based on total shareholder return (absolute or relative) subject to positive gating. We also discussed the rejection by shareholders of the company's second Climate Transition Action Plan. Mr Breuillac said the company had no plans to put a third 'Say on Climate' vote to shareholders in the near term.

There are risks associated with an investment in FAIR, including market risk, non-traditional index methodology risk and sector concentration risk. For more information on risks and other features of FAIR, please see the Product Disclosure Statement.



The Betashares Australian Sustainability Leaders ETF (ASX: FAIR) has 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.responsiblereturns.com.au](http://www.responsiblereturns.com.au) for details<sup>1</sup>.

## Important

<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.

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Any person wishing to invest in Betashares Funds should obtain a copy of the relevant PDS from [www.betashares.com.au](http://www.betashares.com.au) and obtain financial advice in light of their individual circumstances. 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 Betashares Fund and is available at [www.betashares.com.au/target-market-determinations](http://www.betashares.com.au/target-market-determinations).

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