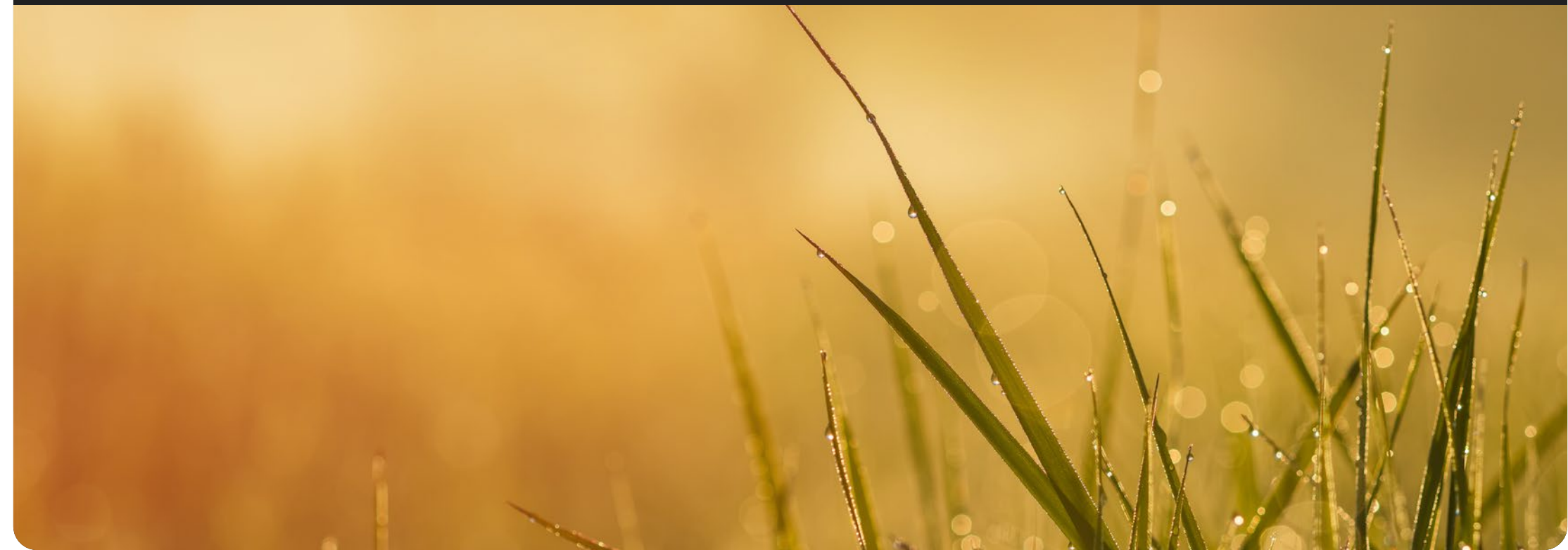




# Stewardship report

## 2022





# Important notice

Betashares Capital Limited (ABN 78 139 566 868, AFSL 341181) is the responsible entity and issuer of the Betashares Funds. This information is general only, is not personal financial advice, and is not an offer or recommendation to make any investment or adopt any investment strategy. It does not take into account any person's financial objectives, situation or needs.

Before making an investment decision you should obtain and read a copy of the relevant Product Disclosure Statement (PDS) available from this website ([www.betashares.com.au](http://www.betashares.com.au)) or by calling 1300 487 577 and obtain financial advice in light of your individual circumstances. A Target Market Determination (TMD) for each Betashares Fund is available at [www.betashares.com.au/target-market-determinations](http://www.betashares.com.au/target-market-determinations). Investments in Betashares Funds are subject to investment risk and the value of units may go down as well as up.

Past performance is not an indication of future performance. The performance of Betashares Funds is not guaranteed by Betashares or any other person. To the extent permitted by law Betashares accepts no liability for any errors or omissions in, or loss from reliance on, the information herein. Any Betashares Fund that seeks to track the performance of a particular financial index is not sponsored, endorsed, issued, sold or promoted by the provider of the index.

No index provider makes any representation regarding the advisability of buying, selling or holding units in the Betashares Funds or investing in securities generally.

Awards/ratings are only one factor to be taken into account when deciding whether to invest in a financial product. You should make your own assessment of the suitability of this information.

This document is dated March 2023.





# Acknowledgement of Country

In the spirit of reconciliation, Betashares acknowledges the Traditional Custodians of country throughout Australia, and their connections to land, sea, and community. We pay our respect to Elders past and present, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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Aboriginal stencil rock art of hands and stone axe at Baloon Cave, Carnarvon Gorge, Queensland, Australia.

# Contents

<b>1. Introduction</b>	<b>5</b>
▶ Our commitment to stewardship	6
▶ Betashares FUM and timeline	8
▶ Ratings and awards	9
<b>2. Our purpose</b>	<b>10</b>
<b>3. Our culture and values</b>	<b>11</b>
<b>4. Betashares in the community</b>	<b>12</b>
<b>5. Our range of ethical and responsible investment products</b>	<b>13</b>
<b>6. Investment process</b>	<b>16</b>
▶ Responsible Investment Committee (RIC)	18
<b>7. Key relationships</b>	<b>19</b>
<b>8. Conflicts of interest</b>	<b>20</b>
<b>9. Engagement</b>	<b>21</b>
<b>10. Voting</b>	<b>24</b>
<b>11. Appendix</b>	<b>37</b>
▶ Appendix A: Ethical funds – negative screens	37
▶ Appendix B: List of company engagements 2022	39
▶ Appendix C: ASFI Submission	40





# 1 Introduction

Welcome to the Betashares Stewardship Report. As an investment manager, we believe we have a responsibility to act as stewards of our clients' assets. We understand that investing involves more than just generating financial returns, it also involves contributing to a sustainable and responsible economy. We are proud of the progress we have made during the period in strengthening our approach to responsible investment. Through this report, we aim to provide transparency into our stewardship activities and demonstrate how we engage with the companies in our portfolio to drive change.

## About us

Betashares is a leading Australian fund manager specialising in exchange traded funds (ETFs) and other funds traded on the Australian Securities Exchange (ASX). Since launching our first ETF more than a decade ago, Betashares has grown to become one of Australia's largest managers of ETFs. Trusted by hundreds of thousands of Australian investors, Betashares offers cost-effective, simple and liquid access to the broadest range of ETF investment solutions available on the ASX, covering almost every asset class and investment strategy. As of April 2023, Betashares has more than \$25 billion in funds under management in over 75 funds.

Betashares' range of ethical ETFs were the first ETFs in Australia to combine strict fossil fuel screens with a broad set of responsible investing screens, offering investors 'true-to-label' ethical investment options.

In April 2021, Betashares became a signatory to the United Nations (UN) Principles of Responsible Investment (PRI, the Principles). As a signatory to the Principles, Betashares has committed to implementing the six principles of responsible investment into our business practices.

Betashares is a member of the Responsible Investment Association Australasia (RIAA). With over 500 members, the RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Betashares is committed to the RIAA's goal of ensuring capital is aligned to achieving a healthy society, environment, and economy. In 2022, Betashares was recognised by the RIAA as a Responsible Investment Leader, demonstrating a commitment to responsible investing, stewardship, and transparency.

## Our approach to Responsible Investment

The Betashares Responsible Investment Policy sets out our approach to responsible investment and stewardship. 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. We believe the approach to Responsible Investment should be specifically tailored to each product, its target themes and exposures, and the interests and concerns of its investor base.

In our ethical ETFs, we take a stringent 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 investing only 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 monitoring of all investee companies on ESG-related issues via our established Responsible Investment Committee (RIC).



# Our commitment to stewardship

Investors in Betashares ETFs have a right to expect that we will use our influence as a shareholder in a manner consistent with the creation of long-term shareholder value. Investors in our ethical ETFs have a right to expect that our stewardship activities are consistent with the ethical values embedded in the ETF's index rules. After all, one of the benefits of being a shareholder is that it gives you a say in how the companies you invest in are run.

We believe that the way a company is run and overseen, and how it manages its environmental and social risks, will have an impact on its long-term financial returns. At the heart of our stewardship approach is the belief that by acting as responsible stewards of our clients' assets, we can drive positive impacts.

## Key progress in 2022

In 2022, we expanded our range of sustainability-themed investments by launching our Electric Vehicle and Future Mobility ETF (ASX: DRIV), Solar ETF (ASX: TANN), Future of Food ETF (ASX: IEAT), and Energy Transition Metals ETF (ASX: XMET). These ETFs are designed to give investors efficient and low-cost exposure to key sustainability themes.

We also launched an Australian Sustainability Leaders Model Portfolio and range of ethical diversified model portfolios which allow investors to combine 'true-to-label' ethical investing with the benefits of holding a direct portfolio of Australian shares.

In April, we launched our quarterly ESG newsletter aimed at highlighting emerging issues in responsible investment and keeping investors and planners up to date on trends and opportunities in sustainable investing.

In October 2022, we expanded our responsible investment team with the appointment of Vinay Chhoda to the role of Manager – Responsible Investments. Prior to joining Betashares, Vinay was an ESG-focused equities analyst at Ellerston Capital.

Vinay brings considerable depth of expertise to our responsible investment team.

In December 2022, we finalised an agreement with Institutional Shareholder Services (ISS) to expand the range of ESG factor data, carbon data, and company research and analysis provided. Betashares now has access to a comprehensive range of ISS ESG data including business involvement and norms-based research via the ISS DataDesk.

Throughout the year we participated in a number of collaborative initiatives including the RIAA Nature Working Group. We provided feedback on the Australian Sustainable Finance Initiative (ASFI) Framing Paper; (see Appendix C). We spoke at conferences and planner days and wrote numerous articles and papers.

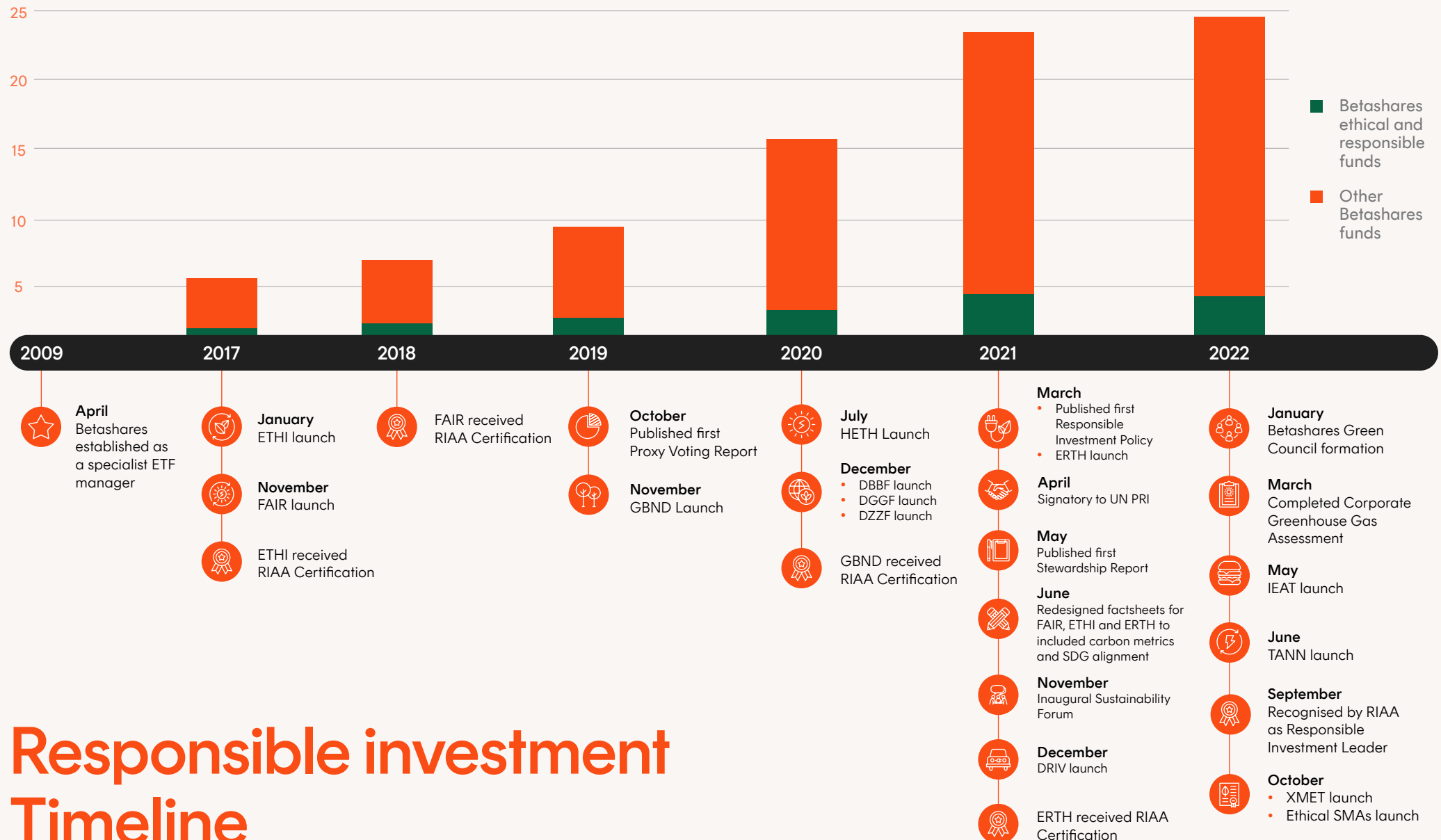
In 2022, we completed a review of our classification of ESG related products. Using a modified global classification framework, we adopted the term 'Ethical & Responsible Investment' as an umbrella term with categories of 'ethical', 'impact' and 'sustainability-themed' to classify our individual products.

## Ethical and Responsible Investments

Ethical investing	Impact investing	Sustainability-themed
<b>Description</b>		
Characterised by the use of negative screening to exclude sectors and companies involved in activities with negative environmental or social impacts, and norms-based screening to exclude companies that do not meet minimum standards of business practice based on international norms and conventions such as the UN Global Compact.  Can be combined with positive screens to preference companies with positive ESG factor exposures.	Investing with the intention of achieving positive environmental or social impacts.	Investing in companies specifically related to improving environmental or social sustainability.
<b>Betashares ETF</b>		
Global Equities   ETHI   HETH Australian Equities   FAIR Fixed Income   GBND Ethical Diversified Funds   DBBF   DGGF   DZZF Ethical Model Portfolio Solutions	Decarbonisation   ERTH	Electric Vehicles   DRIV Solar   TANN Future of Food   IEAT Energy Transition Metals   XMET

# Betashares FUM (billions)

Source: Betashares. As at 31 December 2022



## Responsible investment Timeline



# Ratings and awards

## 2023

### Money Magazine Best of the Best Awards 2023

- Best International Shares ESG Fund (ETHI)



## 2022

### Finder Green Awards 2022

- Green ETF of the Year: Betashares Global Sustainability Leaders ETF (ASX: ETHI)



### Responsible Investment Association Australasia - Responsible Investment Leader 2022



## 2021

### Money Magazine Best of the Best Awards 2021

- Best International Share Exchange Traded Product (ETHI)
- Best International Share ESG Fund (ETHI)



# 2 Our purpose

At Betashares, we believe that investing is the key to wealth creation and securing superior financial outcomes. The money we manage is not our own. It belongs to our clients – Australians investing over the long term to meet their financial goals.

Clients are at the heart of our business, and our purpose is to help as many clients as possible to achieve their financial objectives.

Betashares has a history of innovation and a reputation as a pioneer in the Australian ETF industry. Since our inception, our aim has been to make investing a positive force. We are privileged to serve an inspiring group of individuals, families, not-for-profits, institutions, and financial advisers across Australia.

We make investing accessible and affordable, and offer the broadest range of ETFs on the ASX – guided by our core principles: simplicity, cost-effectiveness, and transparency. Whether clients are looking to grow their savings, invest in super, or get started on reaching their financial goals,

**Betashares strives to enable every Australian to financially progress.**

We recognise the role that investment managers can play in promoting responsible investment practices, and our position in being able to positively influence the way business is conducted, for the greater good of all stakeholders.

Betashares aims to conduct its operations with respect for the environment, to be socially minded and community focused, and to adhere to a transparent governance framework. We believe we can pursue the dual mandate of delivering financial well-being for our stakeholders as well as thriving as a business.

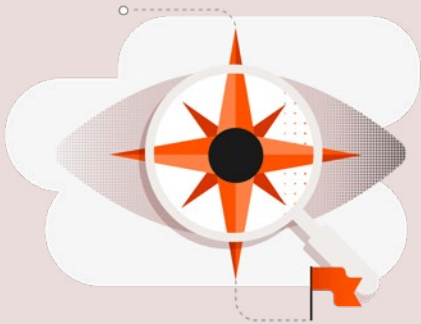
—  
**Our mission is to be the leading independent, customer-focused financial services brand in Australia.**

# 3 Our culture and values

Betashares was launched with the vision to create intelligent and accessible investment solutions for Australian investors. Our dedication to helping Australian investors achieve their financial goals has seen Betashares grow from being a challenger to a market leader. Our core values are integrity, humility, care, and innovation.

We are proud of the culture we have built, and we will strive to create an inclusive outcomes-focused environment underpinned by trust, that encourages innovation, values collaboration, and rewards hard work.

## A strong moral compass



## Ambition, combined with humility



## Care



## Innovation





# 4 Betashares in the community



## VTO Committee

Each Betashares employee is offered two days of paid leave each year to undertake volunteer work. This can be volunteer work of the employee's own choosing (subject to approval) or through the committee who will organise volunteer days for employees with local organisations

### Goals and Objectives

- Give back to the community and those in need
- Provide volunteering opportunities for staff
- Support volunteering initiatives for staff
- Team building
- Encourage participation
- Getting feedback and ideas



## The Green Council

Our goal is to generate concrete ideas and initiatives to drive sustainability practices across the business, to facilitate education around sustainability issues and make sustainability visible inside and outside the company.

### Goals and Objectives

- Set sustainability goals and measure progress
- Ensure that values are clearly defined and reflected in business practices
- Quantify the economic case for sustainability
- Develop Betashares' first Climate Change Action Plan
- Develop Betashares' first Reconciliation Action Plan

# 5 Our range of ethical and responsible investment products

## Ethical Products

### Single asset class funds

Fund	ASX Ticker	Investment Exposure	Index
Betashares Global Sustainability Leaders ETF	ETHI	Large global companies (currency hedged or unhedged) <sup>1</sup>	Nasdaq Future Global Sustainability Leaders Index
Betashares Global Sustainability Leaders ETF – Currency Hedged	HETH		Nasdaq Future Global Sustainability Leaders Currency Hedged AUD Index
Betashares Australian Sustainability Leaders ETF	FAIR	ASX-listed companies	Nasdaq Future Australian Sustainability Leaders Index
Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged	GBND	Global and Australian bonds	Solactive Australian and Global Select Sustainability Leaders Bond TR Index - AUD Hedged

Each of the single asset class funds is an ‘index fund’. This means the objective of the fund is to track the performance of a specific index, before fees and expenses. An index measures the performance of a portfolio of securities that has been constructed in accordance with specific rules (the index rules). Well-known indices include the S&P/ASX 200 and the Nasdaq 100. The index that each of our single asset class ethical funds aims to track is set out in the table above.

<sup>1</sup>HETH currently obtains its investment exposure by investing in ETHI.

## Diversified Funds

Fund	ASX Ticker	Investment Exposure
Betashares Ethical Diversified Balanced ETF	DBBF	These ethical multi asset funds provide exposure to a passive blending of asset classes, including Australian and global shares and bonds, according to their strategic asset allocations.
Betashares Ethical Diversified Growth ETF	DGGF	
Betashares Ethical Diversified High Growth ETF	DZZF	

The Diversified funds provide all-in-one exposure to a range of asset classes and are built using differing combinations of the single asset Class ethical funds.

## Model Portfolios

Fund	Investment Exposure
Betashares Australian Sustainability Leaders model	<p>The Australian Sustainability Leaders model portfolio comprises the largest and most liquid names from the FAIR portfolio.</p> <p>The ethical multi-asset model portfolios comprise the Australian Sustainability Leaders model and allocations to ETHI and GBND.</p>
Betashares Ethical Diversified – Balanced model	
Betashares Ethical Diversified – Growth model	
Betashares Ethical Diversified – High Growth model	

## Impact Investing Products

Fund	ASX Ticker	Investment Exposure	Index
Betashares Climate Change Innovation ETF	ERTH	Global companies	Solactive Climate Change and Environmental Opportunities Index





Sustainability-themed Products

Fund	ASX Ticker	Investment Exposure	Index
Betashares Electric Vehicle and Future Mobility ETF	DRIV	Global companies	Solactive Future Mobility Index
Betashares Solar ETF	TANN	Global companies	Solactive EQM Global Solar Energy Index
Betashares Future of Food ETF	IEAT	Global companies	Foxberry Next Generation Foods USD Net Total Return Index
Betashares Energy Transition Metals ETF	XMET	Global companies	Nasdaq Sprott Energy Transition Materials Select Index

# 6 Investment process

Betashares does not have a single investment strategy. Betashares has a broad range of investment strategies designed to give investors access to investment markets, sectors, or themes in an efficient and cost-effective manner. Some of these strategies specifically target ESG-related themes or employ negative and norms-based screens. In all instances, we seek to be transparent as to the extent to which ESG considerations are incorporated into product design, portfolio construction and security selection processes.

In our Ethical & Responsible Investment funds, the rules and guidelines that govern how each of the single asset class funds invests are described in detail in the index methodology associated with the fund. You can find the index methodology for each fund on the Betashares website. Because our diversified funds invest solely in the single asset class funds, the ESG characteristics of the diversified funds match the characteristics of these underlying funds.

## Negative, Norms-based and Positive Screening

The index rules for our Ethical & Responsible funds incorporate 'negative screening', 'norms-based screening' and 'positive screening'. Negative screens are applied to the activities that the fund 'screens out', meaning that companies or issuers engaging in these activities are excluded from the index, and therefore consideration for investment by the funds. The use of comprehensive negative screens has the objective of excluding companies involved in activities with negative environmental or social impacts (noting dependent on the activity, materiality thresholds may be applied).

In 2022, we worked with our index providers to remove inconsistencies in the negative screens for our ethical products. We expanded the list of screens related to fossil fuels to more clearly describe the activities subject to exclusion. We amended our screen on alcohol to differentiate between the production of alcohol and its sale and distribution. A list of the negative screens applied to our ethical products is included in **Appendix A**.

Norms-based screening aims to exclude companies that do not meet minimum standards of business practice based on international norms and conventions. These are documented in treaties and conventions such as the 10 principles of the UN Global Compact, the UN Declaration of Human Rights, the International Bill of Human Rights, and the OECD Guidelines for Multinational Enterprises. Norms-based screening is usually, although not always, done on a reactionary basis following a controversy that has come to light. In our ethical suite of products, the Betashares Responsible Investment Committee (RIC) continually monitors portfolios for controversy (see below).

Negative screening can be combined with positive screens to preference companies with positive ESG factor exposures.

In our ethical suite of products, while positive screening varies between funds, the purpose and philosophy is the same: to weight the portfolios towards companies and issuers that are contributing to a more sustainable future. In ETHI, we favour climate leaders, being those companies operating with a carbon intensity (measured as tons of CO2 emitted per US million dollars of revenue) that is superior to their industry peers. In FAIR, preference is given to companies that have been identified as 'Sustainability Leaders'. The criteria for classifying companies as Sustainability Leaders have been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying targets. GBND favours 'green bonds', being bonds that have been issued specifically to fund projects with environmental or climate benefits. GBND uses the Climate Bond Initiative Climate Bonds Taxonomy in determining which green bonds are eligible for index inclusion.

The negative and positive screens, as set out in the index rules, is what drives the additions to, and deletions from, our ethical funds.

Set out on the next page is a sample of companies selected for investment, or screened out, during 2022, as a result of the investment process described above.

## Sample of companies

Screened out	Included
<b>Kikkoman Corporation (2501):</b> Manufactures sake and therefore failed the new revenue threshold for alcohol production.	<b>Nitto Denko Corp (6988):</b> Japanese materials and chemicals company that produces industrial tapes, surgical tapes and dressings, reverse osmosis membranes for water desalination, filter film for liquid crystal displays, and transparent conductive film and high-clarity optical use adhesive sheets for touch panels. The company previously failed the gender diversity screen but appointed a woman to its board in 2021.
<b>BlackRock, Inc (BLK):</b> The company launched the Global Infrastructure Fund (IV) which has become one of the world's largest private capital investors in fossil fuel infrastructure.	<b>Enphase Energy (ENPH):</b> Based in Fremont, California, Enphase is a leading manufacturer of solar microinverters, which maximises the performance from an array of solar panels.
<b>Charter Communications (CHTR):</b> The company had been implicated in controversy related to healthcare benefits and pension entitlements of employees following its acquisition of Time Warner Cable. The company is also involved in several lawsuits alleging sexual harassment and discrimination on the basis of age, gender and disability.	<b>Fiserv Inc. (FISV):</b> Based in Brookfield, Wisconsin, Fiserv provides financial technology services to banks, securities brokers, mortgage, insurance, leasing and finance companies. Since 2017, Fiserv has actively sought to reduce the emissions associated with its data centres and offices through consolidation, efficiency gains and advanced design.
<b>Activision Blizzard (ATVI):</b> The company had been implicated in workplace related controversies that included claims of systemic sexual harassment and the poor treatment of female staff.	<b>SAP SE (SAP):</b> SAP develops enterprise software to manage business operations and customer relations. It is the world's leading enterprise resource planning software vendor and the largest non-American software company by revenue. In addition to reducing its own emissions and committing to a net-zero Science-based Target, SAP helps commercial customers manage their ESG data and integrate sustainability in product design, production, and supply chain management.
<b>Motorola Solutions, Inc (MSI):</b> Data indicated increased revenue (above threshold) from military contracting in the US, United Kingdom and Israel.	<b>Dexus Industrial REIT (DXI):</b> The average NABERS rating for DXI increased from 4.5 to 5.0 stars. DXI was one of the first REITS to achieve carbon neutral certification in August 2021.
<b>Sysmex Corporation (6869):</b> Excluded for lack of gender diversity on the board.	<b>Novonix Limited (NVX):</b> NVX is an integrated developer and supplier of high-performance materials, equipment and services for the lithium-ion battery industry with operations in Australia, the US and Canada.



An aerial photograph of a wind farm situated in a lush green, hilly landscape. Several white wind turbines are visible, spaced out across the terrain. A small cluster of buildings, likely the farm's operations center, is located in the upper left. The landscape is characterized by rolling hills, green fields, and a few small ponds or streams. The overall scene conveys a sense of sustainable energy production in a natural environment.

# Responsible Investment Committee (RIC)







Under the index rules for our ethical funds (FAIR, ETHI, GBND), the responsibility for applying negative and norms-based screening rests with the RIC. The RIC also determines the proxy voting policies of the funds and drives corporate engagement efforts.

The RIC comprises one Betashares representative and two external representatives with experience and expertise in responsible investing. As at 31 March 2023 the membership of the RIC is:

- **Greg Liddell (Chair)**  
Director – Responsible Investment, Betashares
- **Kylie Charlton**  
Managing Director, Australian Impact Investments
- **Emily Flood**  
Chief Impact Officer, Future Super

In the application of negative and norms-based screens, the RIC uses a range of information sources including commercial data providers, as well as information provided by supra-national, government and non-government organisations. These include United Nations committees and special rapporteurs, organisations such as Monitor, Human Rights Watch, Amnesty International, WWF, Urgewald (Exit Coal), and As You Sow, as well as mainstream and specialist media organisations.

# 7 Key relationships

Index providers		Solactive is a German-based index provider that develops tailor-made index solutions for leading global asset managers and investment banks. It is a key provider for our ethical suite of products.
		Nasdaq Global Indices is part of Nasdaq Inc – an American multinational business which owns and operates three stock exchanges in the US and seven European stock exchanges. It is a key provider for our ethical suite of products.
ESG research partners		Holon IQ is the world-leading research and analytics platform for the global impact economy.
		iClima Earth is a London-based research provider specialising in climate and decarbonisation measurement and quantification methodologies.
		Institutional Shareholder Services (ISS) is a leading provider of corporate governance, proxy voting, and responsible investment solutions.
Data partners		Bloomberg is one of the world's largest financial software and data companies.





# 8 Conflicts of interest

Betashares is aware of its fiduciary duty to clients, and in this context the importance of managing Conflicts of Interest (COI) and ensuring investors maintain confidence in us.

We have developed a COI framework that seeks to identify, assess and manage all COI identified within our business operations. For example, we have implemented ongoing COI staff training and each identified COI is assessed on its own merit with appropriate controls implemented that are reviewed on an ongoing basis.

In the interest of independence, the COI framework is overseen by our compliance function.



# 9 Engagement

The Betashares investment process is designed to ensure that funds invest in a manner which is transparent and rules-based\*. In our ethical suite of products, we endeavour to ensure we only invest in companies whose business operations meet the strict ethical rules and guidelines described in the index methodology.

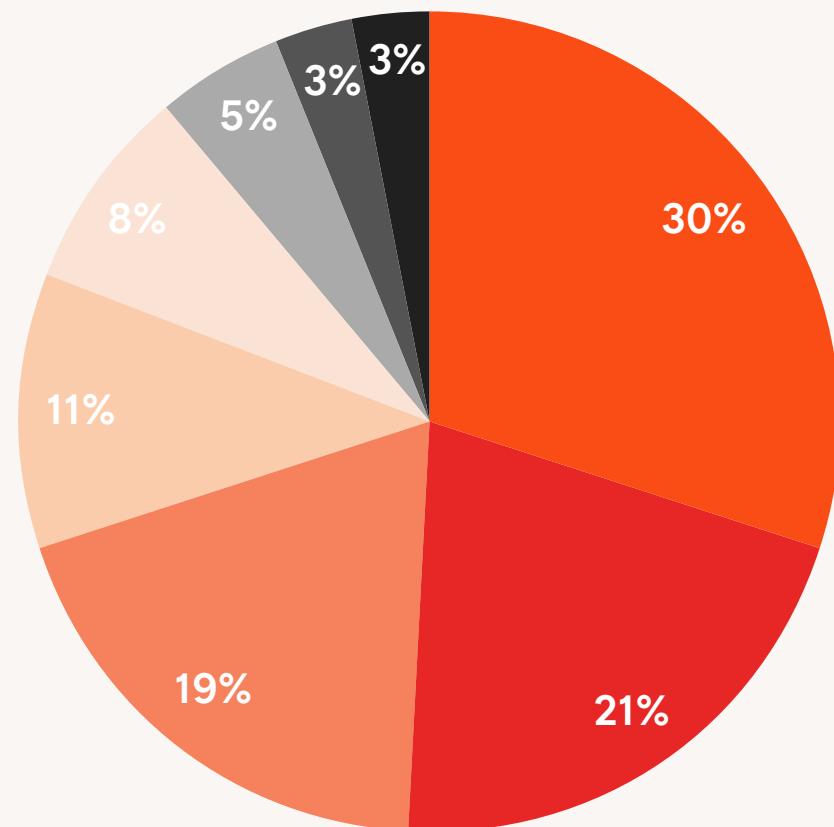
With particular regard to our ethical products, we tailor our approach to engagement to ensure alignment with the values implicit in the index construction methodology and the expectations of our investors.

In 2022, we continued to have a high level of engagement with the companies in our ethical product suite. We also increased the level of engagement with companies held outside that suite of products.

Our approach to engagement depends in each case on the unique situation that has prompted the interaction. Our strategy takes into account the company's track record, how proactive it has been in response to the issue, and how willing it is to engage with us.

Some examples of our engagement efforts in 2022 are set out in the case studies on the next page.

## Betashares engagement 2022



- Failure to protect human rights in the workplace
- Engagement on human rights
- Promoting human rights in supply chains
- Failure to protect the environment and / or biodiversity
- Failure to mitigate climate change impacts
- Promoting good governance and accountability
- Failure to respect indigenous rights
- Failure to protect animal welfare

\*Excluding our active ETFs where management is outsourced to active managers.

## Case studies

### AGL

AGL is Australia's largest electricity generator and largest emitter of CO<sub>2</sub>. Managing the risks around the transition to net-zero is a key strategic challenge for the company.

In early 2021, then CEO, Brett Redman, announced plans to split the company following a \$2.3 billion half-year loss. Mr Redman subsequently resigned from the company.

A number of investors, including Mike Cannon-Brookes' GROK Ventures, opposed the demerger, claiming it would have both negative financial and sustainability outcomes.

Prior to the scheduled 2022 vote on the demerger, Betashares met with the board and management of AGL to better understand the case for the proposed split. We also met with GROK Ventures as well as several sell-side and energy industry analysts and the Australasian Council for Corporate Responsibility (ACCR).

Betashares came to the view that it was not in the interest of our investors to support the proposed demerger. We communicated this view to the AGL board and subsequently the motion to approve the demerger was withdrawn.

Betashares subsequently publicly supported the appointment of four new directors to the AGL Board in November 2022, nominated by GROK Ventures-associated entity Galipea Partnership.

### Mirvac

Mirvac is redeveloping the site of the previous IBM business park in West Pennant Hills. Bordering Cumberland State Forest, the site is of high conservation value with some of the last Sydney Blue Gum and Turpentine Forest remaining. The site is home to endangered species including the Powerful Owl and Dural Land Snail.

Ten hectares of the site have been earmarked for transfer to Forestry NSW. Concern has been expressed by community and conservation groups over the conservation of the site.

We met with Mirvac Project Director, Emma Ellis, to conduct a site inspection and discuss community and conservation group concerns as well as how the company intended to comply with the conditions set out in the Development Approvals (DAs) issued by Hills Shire Council, including conditions designed to limit interference with owl nesting sites and prevent damage to the trees (e.g. requiring horizontal boring - which goes under the root system - for stormwater pipes and utilities).

We were in general satisfied with the degree of compliance and conservation with which Mirvac was managing the development, although noted a number of possible enhancements including laboratory testing of stormwater site runoff rather than reliance on visual inspection. We encouraged the company to bring forward plans to address invasive species (mainly lantana and kudu vine) in the area earmarked for handover to Forestry NSW, a precondition of handover.

### Fast Retailing, H&M Group, Ross Stores, Zalando

We examined commitments by companies in the fashion industry to pay workers a living wage and to have democratically elected worker representation across their supply chains. A 2021 study by Oxfam and a more recent study by Aberdeen University and advocacy group, Transform Trade, indicates fashion brands are not living up to publicly made past commitments on pay and workers' rights. We wrote to fashion industry holdings: Fast Retailing (UNIQLO), H&M, Ross Stores and Zalando, requesting greater transparency for investors on average wages and the steps being taken to ensure all workers receive a living wage.

### Volkswagen and BMW

Following the release of a report by US consultancy Horizon Advisory regarding suppliers with links to labour programs in China's Xinjiang region, which experts have flagged as coercive, we engaged with several companies identified in the report. The main issues involved companies obtaining supplies of high-grade aluminium and PVC. We engaged with a number of motor vehicle manufacturers and broad-based retailers named in the report to better understand their processes for monitoring supply chain risks.

### Apple

We engaged with Apple during the year on two main issues. The first was in relation to the treatment of Chinese-based workers during periods of COVID-19 lockdowns. To prevent the closure of production plants, China's 'closed-loop' management system forced workers to live and work on-site in a secure bubble. There were claims that key Apple supplier, Qanta Computer, located in Shanghai, had implemented even tougher conditions, preventing workers from returning to their dormitories to rest. Videos were posted on social media of Quanta Computer workers clashing with security guards during protests in relation to the prolonged lockdown and pay. We contacted both Apple and Quanta in relation to the reports to better understand how they were ensuring a safe and fair workplace environment for workers at Quanta Shanghai Manufacturing City. Quanta did not respond, and Apple declined to comment.

We also engaged with Apple over its hosting of apps controlled by the

Myanmar military. The Myanmar military is facing charges of genocide at the International Court of Justice and is being investigated for crimes against humanity by the International Criminal Court for its alleged persecution of Myanmar's Rohingya minority. Burma Campaign UK has accused Apple of hosting eight apps which act to deny free speech, use racist language against the Rohingya and deny genocide.

We wrote to Apple seeking to better understand their process for reviewing apps on their App Store, what content restrictions they have in place and whether apps controlled by the Myanmar military would be denied under these policies. Apple responded with links to its Human Rights Policy and its 'People and the Environment in our Supply Chain' report but declined to comment specifically on the Burma Campaign UK allegations.

## Goodman Group

The Goodman Group Annual Report disclosed that the company had committed to investing USD15 million in the GreenPoint Real Estate Innovation and Technology Venture LP, a property technology fund that is managed by Greenpoint Group LP, a Delaware limited partnership beneficially owned and controlled by Christopher Green, a Goodman Group director.

Goodman also revealed a commitment to invest up to \$30 million in a carbon credit scheme managed by Wyuna Regenerative Ag, which is 50% owned also by Christopher Green.

We wrote to Goodman to express our concern at these related party transactions and noted the recommendation in the ASX Corporate Governance Principles and Recommendations that "all directors...not take advantage of their position or the opportunities arising therefrom for personal gain".

We voted AGAINST Mr Green's reappointment to the Goodman Group board at their 2022 Annual General Meeting.

## adidas

Over 1,000 garment workers rallied outside a factory in Cambodia that is a supplier to adidas over poor working conditions and alleged wage theft. It was reported that agreement by the factory to address some of the workers' demands only came after union leaders were arrested and required to sign agreements with local authorities stating that they would not carry out further activities that would cause unrest in the factory.

Similarly in Myanmar, adidas supplier, Pou Chen, allegedly dismissed 26 union members and is subject to accusations of wage theft and retaliatory action against union leaders.

Adidas was the subject of a global Pay Your Workers; Respect Labour Rights week of protest campaign, in which union leaders called on the company to negotiate and sign a binding agreement on wages, severance and freedom of association.

In light of these reports, we contacted adidas to understand how they are protecting workers' rights to fair pay and working conditions, as well as the right to organise and unionise, across its supply chain.

Adidas responded rejecting the allegations made by the global week of action protestors, saying they are committed to fair labour practices. They have also set targets for progressive improvement in compensation according to fair wages targets. On freedom of association, adidas stated it objected to the dismissal of workers in Myanmar and is working with factory management and worker representatives from the union to reinstate the workers and resolve the case.

## Infineon Technologies

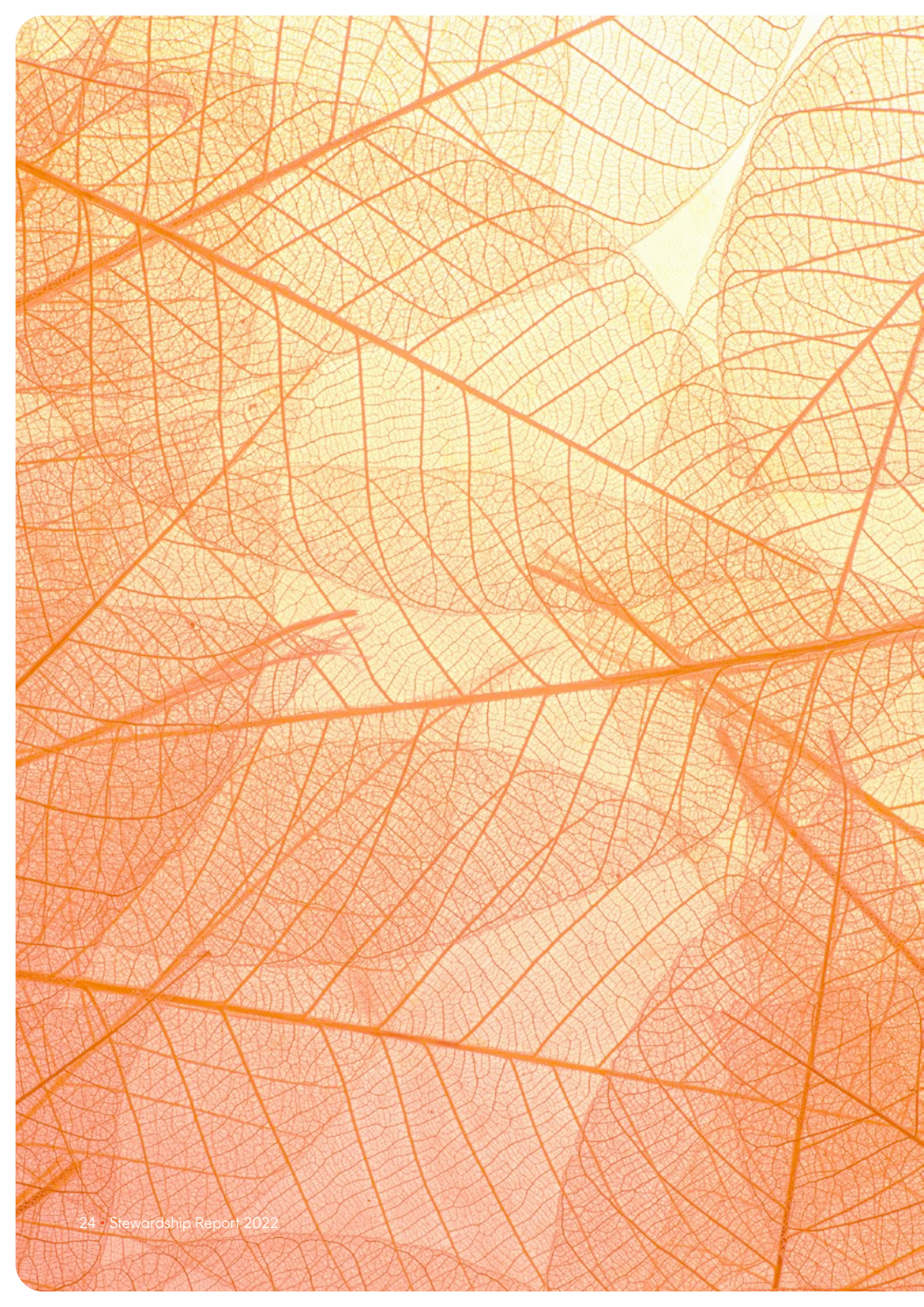
An investigation by Reuters found that computer parts made by Infineon and other western companies continued to be sent to Russia and used in weapons following the illegal invasion of Ukraine. After the invasion, the US and other countries banned high-tech exports to Russia and tech companies announced that they had halted all exports to Russia. Yet the investigation identified more than 450 shipments of products, made by Infineon-owned Cypress Semiconductor, to Russia between 25 February and 30 May 2022, via third-party sellers.

We engaged with Infineon to better understand how they are monitoring and managing their supply chain to prevent their products being used by Russian weapon manufacturers.

Infineon responded stating they had launched an internal investigation, and stated the products covered in the Reuters report had shipped and were already in transit at the time of the invasion. When asked about their chips' use in Russian weapons systems, Infineon said they comply with export controls and trade sanctions. Infineon said they were deeply concerned that their products were being used for purposes for which they were not designed.

We subsequently engaged with Infineon following reports from Ukrainian military intelligence which identified Infineon chips in Iranian manufactured drones used by Russian military forces in attacks on Ukraine. Infineon responded that aside from direct sales, there are difficulties controlling consecutive sales throughout the entire lifetime of a product. Infineon had instructed their customers, including distributors, to only conduct consecutive sales in line with Infineon's applicable rules.





# 10 Voting

In all our listed shares products, with the exception of those products where their small size makes it uneconomical to do so, we vote proxies in accordance with a policy specifically designed to align with UN PRI stewardship frameworks.

In relation to ETHI, FAIR and ERTH ETFs, our policy is to vote on ESG-related shareholder resolutions in a way that is consistent with the values embodied in the index rules for each fund. We apply a somewhat more progressive proxy voting policy in these products.

The table below provides details of our voting on shareholder and ESG related resolution for FAIR, ETHI and ERTH. We voted in favour of shareholder resolutions across a range of issues, including seeking to require companies to adopt or improve climate-related or sustainability-related disclosure, increase gender pay transparency, report on political donations and lobbying, and report on animal welfare.

In the year to December 2022, we voted on more than 100 shareholder-initiated ESG-related resolutions. In most of these cases, we voted against management's recommendation. The table below provides detail on all the ESG-related resolutions we voted on, including the rationale for our voting decisions\*.

Note that Betashares publishes a full listing of all proxies voted at the end of each financial year.

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\* There is no direct voting activity within HETH or the Diversified funds since these funds do not hold equities directly, rather they invest in FAIR, ETHI and GBND as relevant. Similarly, voting is a right that attaches to equity ownership, so GBND (which holds bonds) does not participate in shareholder voting activities.

# Betashares ESG-Related Proxy Voting Report – year ending December 2022

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

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

This report summarises the proxy voting record for the named funds in relation to ESG-related resolutions only.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
AbbVie Inc.	ABBV	06-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
AbbVie Inc.	ABBV	06-May-22	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	For	A vote 'FOR' this item was warranted as it enables shareholders to have a say on the payout of severance amounts that exceed market norms, while offering the flexibility for the board to seek shareholder approval of a new or renewed severance arrangement.
AbbVie Inc.	ABBV	06-May-22	Report on Board Oversight of Risks Related to Anticompetitive Practices	Against	For	A vote 'FOR' this proposal was warranted because shareholders would benefit from more robust disclosure of the company's processes and oversight mechanisms for managing risks related to anticompetitive practices, particularly considering AbbVie's involvement in related controversies.
AbbVie Inc.	ABBV	06-May-22	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information comparing the company's public policy statements and its political contributions and lobbying efforts would benefit shareholders in assessing its management of related risks.
Activision Blizzard, Inc.	ATVI	21-Jun-22	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	Against	For	A vote 'FOR' this proposal was warranted, as an employee representative director would enable more robust oversight of issues related to the company's employees and their concerns.
Activision Blizzard, Inc.	ATVI	21-Jun-22	Report on Efforts to Prevent Abuse, Harassment, and Discrimination	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from increased disclosure due to the ongoing scrutiny over the company's sexual harassment and discrimination issues involving employees.
American Express Company	AXP	03-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.



Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>American Water Works Company, Inc.</b>	AWK	11-May-22	Report on Third-Party Racial Equity Audit	Against	For	A vote 'FOR' this proposal was warranted, as an independent racial equity justice audit would help shareholders better assess the effectiveness of American Water's efforts to address racial inequity.
<b>Anthem, Inc.</b>	ANTM	18-May-22	Adopt a Policy Prohibiting Direct and Indirect Political Contributions to Candidates	Against	For	A vote 'FOR' was warranted given the well-documented effects of corporate political donations affecting the functioning of democracies.
<b>Anthem, Inc.</b>	ANTM	18-May-22	Oversee and Report a Racial Equity Audit	Against	For	A vote 'FOR' this proposal was warranted, as an independent racial equity justice audit would help shareholders better assess the effectiveness of the company's efforts to address racial inequity.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Amend Articles of Incorporation to become a Social Purpose Corporation	Against	For	A vote 'FOR' this proposal was warranted as it would further strengthen the company's commitment on its environmental and social goals.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Approve Revision of Transparency Reports	Against	For	A vote 'FOR' this proposal was warranted, as additional information regarding the company's policies and processes regarding freedom of expression and access to information would help shareholders analyse the company's management of related reputational risk.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Report on Forced Labour	Against	For	A vote 'FOR' this proposal was warranted, as increased transparency on Apple's supply chain policies and processes could help alleviate growing risks related to manufacturing in certain regions.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Report on Median Gender/ Racial Pay Gap	Against	For	A vote 'FOR' this proposal was warranted, as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Report on Civil Rights Audit	Against	For	A vote 'FOR' this resolution was warranted, as an independent civil rights audit would help shareholders better assess the effectiveness of Apple's efforts to address the issue of any inequality in its workforce and its management of related risks.
<b>Apple Inc.</b>	AAPL	04-Mar-22	Report on Concealment Clauses	Against	For	A vote 'FOR' this proposal was warranted as concealment clauses are typically used by companies to prohibit employees from disclosing unlawful acts including discrimination and harassment. Improved disclosure will help shareholders assess the company on its commitment to workplace rights.
<b>Applied Materials, Inc.</b>	AMAT	10-Mar-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would further enhance shareholders' existing right to call special meetings.



Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Applied Materials, Inc.	AMAT	10-Mar-22	Improve Executive Compensation Program and Policy	Against	For	A vote 'FOR' this resolution was warranted. Inclusion of CEO pay ratio and voices from employees as a guiding principle of executive compensation could allow for more informed and contextual assessments by investors as to whether the company's executive compensation practices are reasonable and fair and aligned with shareholders' long-term interests.
Badger Meter, Inc.	BMI	29-Apr-22	Report on Achieving Racial Equity on the Board of Directors	Against	For	A vote 'FOR' this proposal was warranted as additional information on board diversification efforts would aid investors in understanding if the company is taking steps to ensure that women and minority candidates are included among board nominees.
Becton, Dickinson and Company	BDX	25-Jan-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a lower threshold would enhance the current shareholder right to call special meetings.
BlackRock, Inc.	BLK	25-May-22	Adopt Policies to Curtail Corporate Activities that Externalise Social and Environmental Costs	Against	For	A vote 'FOR' this proposal was warranted, as reporting on the external costs created by not accounting for environmental and social policy effects would allow shareholders to better assess the impact of the company's practices and management of related risks.
Booking Holdings Inc.	BKNG	09-Jun-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Booking Holdings Inc.	BKNG	09-Jun-22	Report on Climate Change Performance Metrics into Executive Compensation Program	Against	For	A vote 'FOR' this proposal was warranted as incorporating climate-related performance measures as part of executive compensation would serve to incentivise executives to ensure that company performance on ESG considerations, alongside financial factors, is appropriately aligned with shareholders' interests, the firm's stated commitments to climate and sustainability, and long-term corporate strategy.
BorgWarner Inc.	BWA	27-Apr-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Bristol-Myers Squibb Company	BMJ	03-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Bristol-Myers Squibb Company	BMJ	03-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
CDW Corporation	CDW	19-May-22	Provide Right to Act by Written Consent	Against	For	A vote 'FOR' this proposal was warranted given that the ability to act by written consent would enhance shareholder rights.
Centene Corporation	CNC	26-Apr-22	Provide Right to Call a Special Meeting at a 10 Percent Ownership Threshold	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Charter Communications, Inc.	CHTR	26-Apr-22	Report on Lobbying Payments and Policy	Against	For	A vote 'FOR' this resolution was warranted, as additional reporting on the company's lobbying practices and policies, including its trade association memberships and payments, would benefit shareholders in assessing its management of related risks.
Charter Communications, Inc.	CHTR	26-Apr-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
Charter Communications, Inc.	CHTR	26-Apr-22	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this proposal was warranted, as more comprehensive information regarding the company's political contribution spending and non-profit organisation participation would enable shareholders to have a more comprehensive understanding of how the company oversees and manages risks related to its political partnerships.
Charter Communications, Inc.	CHTR	26-Apr-22	Disclose Climate Action Plan and GHG Emissions Reduction Targets	Against	For	A vote 'FOR' this proposal was warranted, as additional information on the company's GHG emissions reduction goals aligned with Paris Agreement goals, would allow shareholders to better assess how the company is mitigating climate change related risks.
Charter Communications, Inc.	CHTR	26-Apr-22	Adopt Policy to Annually Disclose EEO-1 Data	Against	For	A vote 'FOR' this proposal was warranted, as additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks.
Charter Communications, Inc.	CHTR	26-Apr-22	Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics	Against	For	A vote 'FOR' this proposal was warranted, as reporting quantitative, comparable diversity data would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks.
Cigna Corporation	CI	27-Apr-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Cigna Corporation	CI	27-Apr-22	Report on Gender Pay Gap	Against	For	A vote 'FOR' this proposal was warranted, as shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Cigna Corporation	CI	27-Apr-22	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this proposal was warranted, as more comprehensive information on the company's direct and indirect political contributions and non-profit organisation participation would enable shareholders to analyse how the company oversees and manages risks from political activities conducted by its partners.
Cisco Systems, Inc.	CSCO	08-Dec-22	Report on Tax Transparency Set Forth in the Global Reporting Initiative's Tax Standard	Against	For	A vote 'FOR' this proposal was warranted as the proposed GRI Tax Standard would enhance the company's transparency in communicating its tax practices to investors globally.
CoStar Group, Inc.	CSGP	09-Jun-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
CVS Health Corporation	CVS	11-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
CVS Health Corporation	CVS	11-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
CVS Health Corporation	CVS	11-May-22	Commission a Workplace Non-Discrimination Audit	Against	Against	A vote 'AGAINST' this resolution was warranted, as the company has enhanced its reporting around its diversity and inclusion initiatives, EEO-1 reporting, and relevant disclosures that allow shareholders to track the company's progress and policies on civil rights.
CVS Health Corporation	CVS	11-May-22	Adopt a Policy on Paid Sick Leave for All Employees	Against	For	A vote 'FOR' this resolution was warranted as it would provide the company's workforce reasonable access to sick leave, which would provide consistent expectations as concerns regarding societal health are on the rise.
CVS Health Corporation	CVS	11-May-22	Report on External Public Health Costs and Impact on Diversified Shareholders	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from an increased disclosure and understanding of the company's food, beverage, and candy business, and its role in the obesity epidemic and related health concerns.
eBay, Inc.	EBAY	08-Jun-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
Edwards Lifesciences Corporation	EW	03-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.



Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Ford Motor Company</b>	F	12-May-22	Approve Recapitalisation Plan for all Stock to Have One-vote per Share	Against	For	A vote 'FOR' this proposal was warranted, as it would provide shareholders of the company with equal voting rights on all voting items.
<b>Gilead Sciences, Inc.</b>	GILD	04-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
<b>Gilead Sciences, Inc.</b>	GILD	04-May-22	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	Against	For	A vote 'FOR' this proposal was warranted, as an employee representative director would enable more robust oversight of issues related to the company's employees and their concerns.
<b>Gilead Sciences, Inc.</b>	GILD	04-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>Gilead Sciences, Inc.</b>	GILD	04-May-22	Publish Third-Party Review of Alignment of Company's Lobbying Activities with its Public Statements	Against	For	A vote 'FOR' this resolution was warranted, as more comprehensive information on Gilead's public policy positions and the congruence between those positions and those of its lobbying partners would benefit shareholders in assessing its management of related risks.
<b>Gilead Sciences, Inc.</b>	GILD	04-May-22	Report on Board Oversight of Risks Related to Anticompetitive Practices	Against	For	A vote 'FOR' this proposal was warranted because shareholders would benefit from more robust disclosure of the company's processes and oversight mechanisms for managing risks related to anticompetitive practices, particularly in light of Gilead's involvement in related controversies.
<b>Hennes &amp; Mauritz AB</b>	HM.B	04-May-22	Replace Fossil Materials with Renewable Forest Resources	None	Against	A vote 'AGAINST' this proposal was warranted as the proposal is deemed overly prescriptive and as the company is deemed to have taken significant steps to address the issues outlined by the shareholder.
<b>Hennes &amp; Mauritz AB</b>	HM.B	04-May-22	Action by The Board in Respect of Workers in H&M Supply Chain	None	Against	A vote 'AGAINST' this proposal was warranted as the company is deemed to have taken the necessary steps as requested by the shareholder, and as the proposal is heavily reliant on case information which is not available.
<b>Hennes &amp; Mauritz AB</b>	HM.B	04-May-22	Report on Sustainably Sourced and Organically Produced Cotton	None	For	A vote 'FOR' this proposal was warranted as the it would improve disclosure on (1) independent labels used to source organic cotton and (2) thresholds and targets on recycled fibres in purchasing volumes, which is considered an appropriate step to take given the company's goal to source 100% recycled or other sustainably sourced materials.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Hennes &amp; Mauritz AB</b>	HM.B	04-May-22	Report on Prevention of Indirect Purchasing of Goods and Use of Forced Labour	None	For	A vote 'FOR' this resolution was warranted given that a report on forced labour would further enhance shareholders' ability to assess the company's human and labour rights policies and initiatives.
<b>Illinois Tool Works Inc.</b>	ITW	06-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>KLA Corporation</b>	KLAC	02-Nov-22	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Against	For	A vote 'FOR' this proposal was warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.
<b>Laboratory Corporation of America Holdings</b>	LH	11-May-22	Amend Right to Call Special Meeting to Remove One-Year Holding Requirement	Against	Against	An 'AGAINST' vote was warranted as the proposed one-year holding period to call a special meeting is consistent with SEC requirements for filing shareholder proposals and provides a reasonable safeguard against abuse of the right.
<b>Mastercard Incorporated</b>	MA	21-Jun-22	Provide Right to Call a Special Meeting at a 10 Percent Ownership Threshold	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>Mastercard Incorporated</b>	MA	21-Jun-22	Report on Political Contributions	Against	For	A vote 'FOR' this resolution was warranted, as additional reporting on the company's political contributions and policies would benefit shareholders in assessing its management of related risks.
<b>Mastercard Incorporated</b>	MA	21-Jun-22	Report on Charitable Contributions	Against	For	A vote 'FOR' was warranted as providing increased disclosure of these charitable contributions via a single, accessible source will allow shareholders to evaluate if the distribution of corporate funds is consistent with shareholder interests.
<b>Mastercard Incorporated</b>	MA	21-Jun-22	Report on Risks Associated with Sale and Purchase of Ghost Guns	Against	For	A vote 'FOR' this proposal was warranted as additional information regarding the processes the company uses to assess and evaluate the effectiveness of its risk management system as it relates to services for the sale and purchase of untraceable firearms, including buy, build, shoot firearm kits, components, and/or accessories used to assemble privately made firearms known as Ghost Guns.
<b>NetApp, Inc.</b>	NTAP	09-Sep-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Nissan Motor Co., Ltd.</b>	7201	28-Jun-22	Amend Articles to Deem Other Affiliated Companies as Parent Company in Carrying Out Obligations under Corporate Law and Disclose Business Reports	Against	For	A vote 'FOR' this proposal was warranted as improved disclosure on the Nissan-Renault alliance agreement is relevant for Nissan's minority shareholders.
<b>OmnicomGroup Inc.</b>	OMC	03-May-22	Report on Political Contributions and Expenditures	Against	For	A vote 'FOR' this proposal was warranted, as there are gaps in existing disclosure practices relating to political contributions and non-profit organisation engagements.
<b>PayPal Holdings, Inc.</b>	PYPL	02-Jun-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>Prudential Financial, Inc.</b>	PRU	10-May-22	Provide Right to Act by Written Consent	Against	For	A vote 'FOR' was warranted as enacting a right to act by written consent further increases shareholder rights at the company and the potential for abuse of written consent is considered to be low given the composition of the shareholder base.
<b>Quest Diagnostics Incorporated</b>	DGX	18-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>Resideo Technologies, Inc.</b>	REZI	08-Jun-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as a reduction in the ownership threshold to call special meetings would enhance shareholder rights.
<b>State Street Corporation</b>	STT	18-May-22	Report on Asset Management Policies and Diversified Investors	Against	For	A vote 'FOR' this proposal was warranted, as reporting on potential costs of not accounting for ESG factors would allow shareholders to better assess the impact of the company's practices and management of related risks.
<b>Stryker Corporation</b>	SYK	04-May-22	Amend Proxy Access Right	Against	For	A vote 'FOR' this proposal was warranted as the proposed elimination of the 20-shareholder aggregation limit would improve the company's existing proxy access right for shareholders.
<b>SunRun Inc.</b>	RUN	02-Jun-22	Report on Risks Associated with Use of Concealment Clauses	For	For	A vote 'FOR' this proposal was warranted as concealment clauses are typically used by companies to prohibit employees from disclosing unlawful acts including discrimination and harassment. Improved disclosure will help shareholders assess the company on its commitment to workplace rights.



Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Sysco Corporation	SYI	18-Nov-22	Report on Third-Party Civil Rights Audit	Against	For	A vote 'FOR' this resolution was warranted, as an independent civil rights audit would help shareholders better assess the effectiveness of the company's efforts to address the issue of civil rights of its stakeholders and its management of related risks.
Sysco Corporation	SYI	18-Nov-22	Commission Third Party Report Assessing Company's Supply Chain Risks	Against	For	A vote 'FOR' this proposal was warranted, as additional information regarding operations within the company's supply chain would allow shareholders to better gauge how well Sysco is managing potential risks in several areas, including in relation to migrant workers.
Sysco Corporation	SYI	18-Nov-22	Report on Efforts to Reduce Plastic Use	None	For	A vote 'FOR' this proposal was warranted, as shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.
Tesla, Inc.	TSLA	04-Aug-22	Adopt Proxy Access Right	Against	For	A vote 'FOR' this proposal was warranted, as adoption of proxy access will enhance shareholder rights.
Tesla, Inc.	TSLA	04-Aug-22	Report on Efforts to Prevent Harassment and Discrimination in the Workplace	Against	For	A vote 'FOR' this resolution was warranted, as the company has faced recent attention for allegations of harassment and discrimination in the workplace, and increased transparency would help shareholders assess how the company is managing associated risks.
Tesla, Inc.	TSLA	04-Aug-22	Report on Racial and Gender Board Diversity	Against	For	A vote 'FOR' this resolution was warranted as shareholders would benefit from additional information about how the company is ensuring gender and minority representation are included in the company's board nomination.
Tesla, Inc.	TSLA	04-Aug-22	Report on the Impacts of Using Mandatory Arbitration	Against	For	A vote 'FOR' this proposal was warranted as more information on the impact that the company's standard arbitration provision has, would allow shareholders to better evaluate risks related to several recent controversies; and may result in improved recruitment, development and retention.
Tesla, Inc.	TSLA	04-Aug-22	Report on Corporate Climate Lobbying in line with Paris Agreement	Against	For	A vote 'FOR' this resolution was warranted, because an evaluation of how the company's lobbying activities align with the Paris Agreement goals would provide information that would allow shareholders to better evaluate the company's risk related to its lobbying activities.
Tesla, Inc.	TSLA	04-Aug-22	Adopt a Policy on Respecting Rights to Freedom of Association and Collective Bargaining	Against	For	A vote 'FOR' this proposal was warranted as such a policy may benefit shareholders by improving the company's management of related risks.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
Tesla, Inc.	TSLA	04-Aug-22	Report on Eradicating Child Labour in Battery Supply Chain	Against	For	A vote 'FOR' this proposal was warranted, as additional information on the company's efforts to eliminate child labour would allow investors to better understand how the company is managing human rights-related risks in its supply chain.
Tesla, Inc.	TSLA	04-Aug-22	Report on Water Risk Exposure	Against	For	A vote 'FOR' this proposal was warranted as shareholders would benefit from increased disclosure regarding how the company is managing water risks.
The Charles Schwab Corporation	SCHW	17-May-22	Adopt Proxy Access Right	Against	For	A vote 'FOR' this advisory proposal was warranted as the proxy access provisions suggested by the proponent would be more favourable to shareholders than the comparable provisions of the board bylaw proposal.
The Charles Schwab Corporation	SCHW	17-May-22	Report on Lobbying Payments and Policy	Against	For	A vote 'FOR' this resolution was warranted, as additional information on the company's trade association memberships, payments, and oversight, along with direct lobbying expenditures, would enable shareholders to better assess the related risks and opportunities.
The Hartford Financial Services Group, Inc.	HIG	18-May-22	Adopt Policies to Ensure Underwriting Practices Do Not Support New Fossil Fuel Supplies	Against	For	A vote 'FOR' this proposal was warranted, as additional disclosure would help investors better understand how the company plans to reduce its emissions and manage its transition to a low carbon economy.
The Home Depot, Inc.	HD	19-May-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would enhance the existing shareholder right to call special meetings.
The Home Depot, Inc.	HD	19-May-22	Require Independent Board Chair	Against	For	A vote 'FOR' this proposal was warranted given the importance of having an independent board chair.
The Home Depot, Inc.	HD	19-May-22	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this proposal was warranted, as the requested report would allow shareholders to better evaluate how well the company was assessing and mitigating risks related to its political communication expenditures.
The Home Depot, Inc.	HD	19-May-22	Report on Steps to Improve Gender and Racial Equity on the Board	Against	For	A vote 'FOR' this resolution was warranted, as additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks.
The Home Depot, Inc.	HD	19-May-22	Report on Efforts to Eliminate Deforestation in Supply Chain	Against	For	A vote 'FOR' this resolution was warranted, as shareholders would benefit from additional information on the company's strategy to manage the impact of its supply chain on deforestation.

Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
The Home Depot, Inc.	HD	19-May-22	Oversee and Report a Racial Equity Audit	Against	For	A vote 'FOR' this resolution was warranted, as a report on an independent racial equity audit would help shareholders better assess the effectiveness of the company's efforts to address the adverse impacts of its policies and practices on non-white stakeholders and communities of colour.
The TJX Companies, Inc.	TJX	07-Jun-22	Report on Assessing Due Diligence on Human Rights in Supply Chain	Against	For	A vote 'FOR' this proposal was warranted, as additional information regarding the processes the company uses to assess human rights impacts in its operations and supply chain would allow shareholders to better gauge how well the company is managing human rights-related risks.
The TJX Companies, Inc.	TJX	07-Jun-22	Report on Risks from Company Vendors that Misclassify Employees as Independent Contractors	Against	For	A vote 'FOR' this resolution was warranted, as a report on classifying employees as independent contractors would help shareholders assess how the company is managing risks associated with human-rights related impact in its supply chain.
The TJX Companies, Inc.	TJX	07-Jun-22	Report on Risk Due to Restrictions on Reproductive Rights	Against	For	A vote 'FOR' this resolution was warranted, as additional information on the potential risks and costs associated with proposed or enacted state policies that restrict reproductive healthcare, would allow shareholders to assess how the company is managing such risks.
The TJX Companies, Inc.	TJX	07-Jun-22	Adopt Paid Sick Leave Policy for All Associates	Against	For	A vote 'FOR' this resolution was warranted as it would provide the company's workforce reasonable access to sick leave, which would provide consistent expectations as concerns regarding societal health are on the rise.
UnitedHealth Group Incorporated	UNH	06-Jun-22	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	Against	For	A vote 'FOR' this item was warranted as it enables shareholders to have a say on the payout of severance amounts that exceed market norms, while offering the flexibility for the board to seek shareholder approval of a new or renewed severance arrangement.
UnitedHealth Group Incorporated	UNH	06-Jun-22	Report on Congruency of Political Spending with Company Values and Priorities	Against	For	A vote 'FOR' this proposal was warranted, as the requested report would allow shareholders to better evaluate how well the company was assessing and mitigating risks related to its political communication expenditures.
Walgreens Boots Alliance, Inc.	WBA	27-Jan-22	Amend Certificate of Incorporation to Become a Public Benefit Corporation	Against	For	A vote 'FOR' this proposal was warranted as would further strengthen the company's commitment to the environmental and social goals of the Business Roundtable statement on the purpose of a corporation, where corporations endeavour to benefit all stakeholders, including customers, employees, suppliers, communities, and shareholders.
Walgreens Boots Alliance, Inc.	WBA	27-Jan-22	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	A vote 'FOR' this proposal was warranted as it would enhance the existing shareholder right to call special meetings.



Company Name	Ticker	Meeting Date	Proposal Text	Management Recommendation	Vote Instruction	Voting Rationale
<b>Walgreens Boots Alliance, Inc.</b>	WBA	27-Jan-22	Report on Public Health Costs Due to Tobacco Product Sales and the Impact on Overall Market	Against	For	A vote 'FOR' this resolution was warranted because shareholders would benefit from increased disclosure regarding the firm's policies and practices related to the sale of tobacco products and its risk oversight mechanisms for continued in-store tobacco sales.

Note that the table above relates only to ESG-related resolutions. For a full report on all our voting activity during the year, please see the Betashares website.

# Appendix A:

## Ethical funds – negative screens

The negative screens applied to our ethical funds (ETHI, FAIR, GBND):.

Industry/Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
<b>Fossil Fuels - Direct</b>	0%	Companies which have fossil fuel reserves, fossil fuel infrastructure, produce petrochemicals or are involved in the mining, extraction or burning of fossil fuels
<b>Fossil Fuels - High Dependency</b>	0%	Industry sectors with very high use of fossil fuels (note: mining companies engaged in the extraction of critical minerals, as defined by Geoscience Australia, and companies with demonstrated use of sustainable business practices are exempt from this exclusion)
<b>Fossil Fuels - Service Providers</b>	5% for products and services	Companies which provide products or services which are specific to and significant for the fossil fuel industry
<b>Fossil Fuels - Finance and Underwriting</b>	Exclude the largest global financiers of fossil fuel companies, projects and infrastructure	Companies which provide lending to fossil fuel companies or otherwise provide significant financing to fossil fuel project or infrastructure
	Exclude the largest global insurers of fossil fuel companies, projects and infrastructure	Companies that provide significant insurance or re-insurance of fossil fuel companies or projects
<b>Gambling</b>	0% for casinos and manufacture of gaming products	
	5% for distribution of gambling products	
<b>Tobacco</b>	0% for production or manufacture	Includes e-cigarettes and other tobacco-based products.
	5% for sale of tobacco products	
<b>Uranium and Nuclear Energy</b>	0% for uranium mining and nuclear energy	
	5% for products and services to nuclear energy	

Industry/Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
<b>Armaments and Militarism</b>	0% for manufacture of armaments and weapons	Includes nuclear weapons and other controversial weapons
	5% for specific and significant services to military and armaments manufacture	
<b>Destruction of Valuable Environments</b>	0%	Companies which have direct negative impact on recognised World Heritage and High Conservation areas
<b>Animal Cruelty</b>	0%	Companies involved in live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products (ivory, foie gras etc)
<b>Chemicals of Concern</b>	0%	Companies which produce or use chemicals of concern recognised by UN Environmental Program, producers of controversial agricultural chemicals
<b>Mandatory Detention of Asylum Seekers</b>	0%	Companies which operate detention centres or for-profit prisons
<b>Alcohol</b>	5% for production of alcohol	
	20% for sales of alcohol	
<b>Junk Foods</b>	33%	Companies which produce or sell junk foods
<b>Pornography</b>	0% for production of pornography	
	5% for sale of pornography	
<b>Fines and Convictions</b>	n/a	Fines or convictions equal to or above \$10 Million USD over the last 3 years
<b>Human Rights</b>	n/a	Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption.
<b>Board diversity</b>	n/a	No women on board of directors
<b>Payday Lending (ETHI)/ Predatory lending (FAIR)</b>	0%	



## Appendix B:

# List of company engagements 2022

Adidas AG	Fast Retailing	Ross Stores
AGL Energy	Ford Motor Company	Saint-Gobain S.A.
Ansell Limited	Goodman Group	Samsung SDI Co
Apple Inc	H&M	Stockland
BMW Group	HelloFresh	Tesla, Inc
BMW Group	Infineon Technologies	UniCredit
Canadian Solar	Mirvac Group	Verizon Communications Inc
Credit Agricole	Raiffeisen Bank	Volkswagen
Deutsche Bank AG	Robolox Corporation	Zalando

# Appendix C:

## ASFI Submission

Submission on the Australian Sustainable Finance Institute's (ASFI) framing paper to develop an Australian sustainable finance taxonomy

Betashares participated in the public consultation process on ASFI's framing paper to develop an Australian sustainable finance taxonomy by submitting feedback on the proposed recommendations. Summary of our responses are highlighted in the table below.

No.	Recommendation / Question	Do you agree with this recommendation?	Our response
1	The guiding principles in the development and implementation of an Australian taxonomy should be: credibility, usability, interoperability, prioritisation and impact.	Agree in part	According to figure 2 page 17, the overwhelming feedback from survey respondents was the importance of credibility, but the recommendation gives equal weight to other factors Recommendation 1 should change to: "The primary guiding principle in the development and implementation of an Australian taxonomy should be credibility. Secondary principles of usability, interoperability, prioritisation, and impact should also be taken into account."
2	The primary purposes of the Australian taxonomy should be to: <ol style="list-style-type: none"> <li>1. direct capital flows into economic activities that substantially contribute to climate change mitigation and other sustainability objectives;</li> <li>2. help guide an orderly and just transition to a sustainable economy; and</li> <li>3. address greenwashing.</li> </ol>	Agree in part	<p>The consultation document does not clearly define the term 'sustainability'. As a result, the terms 'low emissions' or 'zero-emissions' and 'sustainable' are frequently used interchangeably and the term 'transition to sustainability' is used when the term 'transition to low emissions' should more correctly be used. A suggested definition comes from the 1987 Report of the World Commission on Environment and Development (Brundtland Report) that defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs." It should be noted that this definition is somewhat binary, an activity either compromises the economic activity of future generations or it doesn't. There are no 'shades of sustainability'. To further clarify – all sustainable activities are low emissions, however not all low emission activities are sustainable. A mining company may be able to transition to 'low emissions' but it cannot by definition 'transition to sustainability'.</p> <p>Further – the idea of an 'orderly transition' to a low emissions economy was relevant at the time of the Kyoto Protocol in 1997 and was possibly still relevant up to the failed climate talks in Copenhagen in 2009 (COP15). Some jurisdictions, such as Germany, took policy measures to implement an 'orderly transition'. Most countries, including Australia, did not. Due to the extended period of climate change 'culture wars' the window for an 'orderly transition' in this country has closed and, as per the IEA's 1.5 degree C Report, the need is now for an 'urgent' or 'rapid' transition.</p> <p>Recommendation 2 should be restated as: The primary purposes of the Australian taxonomy should be to:</p> <ol style="list-style-type: none"> <li>1. Direct capital flows into economic activities that substantially contribute to climate mitigation and other sustainability objectives;</li> <li>2. Help guide a rapid and just transition to a low-emissions economy; and</li> <li>3. Address greenwashing.</li> </ol>

No.	Recommendation / Question	Do you agree with this recommendation?	Our response
3	The Australian taxonomy should cover the key sustainability objectives of climate change mitigation; climate change adaptation; environmental management (i.e. protection and restoration of health ecosystems and biodiversity, sustainable use and protection of water and pollution prevention and control); resource resilience and the transition to a circular economy, and social objectives.	Agree	NA
4	The Australian taxonomy should initially prioritise the development of criteria for climate change mitigation, with a view to incorporating other environmental and social criteria over time in accordance with the design principles.	Agree	NA
5	<p>The following should be considered when deciding which sectors should be prioritised for development under the Australian taxonomy:</p> <ul style="list-style-type: none"> <li>• contribution to the sustainability objectives;</li> <li>• contribution to the national economy by share of gross domestic product (GDP); and</li> <li>• potential economic growth and global competitiveness opportunities.</li> </ul>	Disagree	<p>The only factor that should be considered in prioritisation of the development of the Taxonomy is the first, the contribution to the sustainability objectives. The consultation paper states: "Therefore, prioritising key export industry sectors and those that contribute significantly to the national gross-domestic product (GDP) will help ensure Australia's global competitiveness in a low-carbon future." This is a fact free statement. The paper has already stated that Australia existing export industries are high emission.</p> <p>The proposal to prioritise large existing industries incentivises putting a 'sustainability' label on activities with marginal sustainability credentials. There should be explicit acknowledgement in the document that the transition will require the development of new industries and that some existing industries i.e. fossil fuels, need to contract significantly, if not disappear entirely. The paper further states "To date, no sustainable finance taxonomy has published criteria to evaluate the sustainability performance of mining activities". The term 'sustainability performance' used here is inappropriate and misleading. Mining is inherently unsustainable and while the decarbonisation of mining is certainly a 'transition' objective, the pretence that mining is sustainable risks diverting capital away from building scale in recycling and other circular economy activities.</p> <p>The paper correctly states: "Delaying action will only exacerbate the environmental, social, economic, and financial system implications in Australia". The inclusion of the third term referencing 'potential global growth and global competitiveness opportunities' introduces a degree of subjectivity into the prioritisation and risks providing leverage to industry lobbyists.</p> <p>The role of the Taxonomy should be to define what activities contribute to sustainability objectives, not to predict which activities will have future commercial success. Reference is made on page 23 to carbon capture, utilisation and storage (CCUS) as an opportunity. CCUS represents a range of largely discredited technologies advocated as a 'magic wand' by the fossil fuel industry to greenwash continued investment in fossil fuels. The elephant in the room here is the gas industry and the debunked claims that natural gas is a 'transition fuel'. The Taxonomy should not be used to add weight to those claims.</p> <p>Recommendation 5 should be rewritten to state: In deciding which sectors should be prioritised for development under the Australian taxonomy consideration should be given to their contribution to the sustainability objectives.</p>
6	The taxonomy design should adopt existing criteria from other international taxonomies or reporting standards that are credible and can be readily adapted to meet the needs of the Australian taxonomy.	Agree	Considerable emphasis should be placed on the term, 'that are credible'.



No.	Recommendation / Question	Do you agree with this recommendation?	Our response
7	The Australian taxonomy's sector framework should align with the Australian and New Zealand Standard Industrial Classification (ANZSIC), where possible, but be flexible to include key sustainable activities that are not clearly captured in the existing codes.	Agree	While agreeing to the above it is noted that most commercial data vendors, systems and indices use proprietary classification systems (GICS, BICS, RBICS etc). Mapping specific issuers to ANZICs is not an easy or straightforward process and priority should be given to encouraging the development of tools for investors to facilitate that process.
8	The Australian taxonomy should undertake a process of mapping the ANZSIC framework with the classification systems used in international taxonomies that Australia may seek to align with (e.g. International Standard Industrial Classification of All Economic Activities (ISIC) and Nomenclature Statistique des Activités Économiques dans la Communauté Européenne (NACE)).	Disagree	As stated above the priority should be in the alignment of ANZICs with the classification systems used by users of the Taxonomy in their investment and financing decisions and the systems that support that activity. Activities that result in further delay of the release of the Taxonomy should be avoided.
9	The Australian taxonomy should use internationally recognised, credible, science-based technical screening criteria, complemented by principles-based criteria where necessary.	Agree	NA
10	<p>The Australian taxonomy should include criteria to demonstrate taxonomy alignment by:</p> <ul style="list-style-type: none"> <li>Evaluating funding recipients against entity-level criteria, where finance is issued to an entity for general use of proceeds.</li> <li>Evaluating an activity or asset against activity-level criteria, where finance is issued to a funding recipient for specific use of proceeds.</li> </ul>	Agree in part	<p>Money is fungible. Providing capital for sustainable activities can have the effect of freeing internally generated funds for unsustainable activities. Therefore, entity level criteria should apply to both general and specific use of proceeds finance. The document states: "Requiring all financing activities to be evaluated against both entity and activity level criteria would have practical implications, such as drastically limiting the application of the taxonomy and the proportion of capital that could be labelled as sustainable and creating challenges around defining green versus transition eligibility criteria." The sentiment here is that the taxonomy should be applied to as many activities as possible and the amount of capital that can be labelled as 'sustainable' should be maximised. Nowhere is it stated that maximising the application of the Taxonomy is an objective.</p> <p>A deserved criticism of ESG is that too frequently 'sustainable' or 'green' labels are applied to business-as-usual activities. The reality is relatively few economic activities contribute to sustainability objectives and an objective of broad application conflicts with the objective of credibility. The objective of the Taxonomy should be to channel capital into activities that genuinely move the dial, not to construe ways to apply a green label to as many activities as possible.</p> <p>The absence of entity level criteria for specific use of proceeds investment or finance risks the credibility of the Taxonomy. Green labels have been put on loans to coal fired power stations to install insulation and for solar panels and electric forklifts at a coal export terminal. Entity level criteria can prevent this from occurring.</p> <p>Recommendation 10 – the second dot point should change to: • Evaluating an activity or asset against both entity and activity-level criteria, where finance is issued to a funding recipient for specific use of proceeds.</p>

No.	Recommendation / Question	Do you agree with this recommendation?	Our response
11	<p>Australia should adopt a traffic-light colour coding framework to communicate and distinguish between:</p> <ul style="list-style-type: none"> <li>Green activities: aligned to the taxonomy objectives;</li> <li>Transition activities: on a pathway to alignment with the taxonomy objectives; and</li> <li>Excluded activities: unsustainable or do no significant harm and/or have no credible pathway to alignment with the taxonomy objectives.</li> </ul>	Disagree	<p>The traffic light approach proposed trivialises the Taxonomy and perpetuates the incorrect underlying assumption present elsewhere in the document that a transition to 'low emissions' equates to a transition to 'sustainable'. The use of the term 'aligned' should be avoided due to its imprecision. The linking of activities and issuers identified as being 'aligned' to sustainability objectives (such as the UN SDGs) is frequently tenuous and would risk the credibility of the Taxonomy.</p> <p>Activities included in the Taxonomy should make an identifiable 'contribution' to sustainability or transition objectives. Again, it should not be an objective of the Taxonomy to maximise the number of issuers to which a 'green' label can be applied. Activities categorised as 'green' or 'sustainable' should make a material contribution to the achievement of sustainability objectives. Linking back to Recommendation 10, 'green' or 'sustainable' criteria should be applied at the entity level only.</p> <p>An activity cannot be sustainable unless the issuer undertaking that activity is entirely sustainable. 'Transition' needs to be viewed as a distinct and separate Taxonomy. Some high emission industries can transition to low emission. Most cannot transition to sustainability. Transition activities need to be linked to a credible emissions reduction scenario targeting limiting temperature increase to 1.5 degrees or 'well below' 2 degrees C.</p> <p>Linking back to Recommendation 10, 'transition' criteria could be applied at both the entity level and for specific use of proceeds. Recommendation 11 should be rewritten to: Australia should adopt two separate and distinct taxonomies, one defining sustainable or 'green' activities and one defining transition activities.</p> <p>Under this framework activities can fall into four categories:</p> <ol style="list-style-type: none"> <li>'green' activities: identified activities which are sustainable (as defined), with material positive externalities, (such as contributing to the achievement of the UN SDGs) and contribute to the achievement of Sustainability Taxonomy objectives;</li> <li>transition activities: identified activities consistent with the transition to a low (zero) emissions economy, and contribute to the achievement of Transition Taxonomy objectives;</li> <li>general activities: activities that do not have material positive or negative externalities (default categorisation)</li> <li>excluded activities: identified activities with material negative externalities or adverse sustainability impacts.</li> </ol>
12	<p>The Australian taxonomy should adopt a clear, transparent methodology for categorising transition activities, endorsed by the Taxonomy Board.</p> <p>What methodology for categorising transition activities would be most suitable for use in the Australian taxonomy?</p>	<p>Agree</p> <p>Pathway differentiation approach</p>	<p>It is noted that the end points of Options 1 and 3 should be largely identical if the methodologies are applied with integrity. Option 1 is most credible but is also the most complex in terms of implementation and hence may cause undue delay. Option 3 is more pragmatic but more vulnerable to political and commercial interference. The inclusion of LNG power generation as a transition activity in the Korean Taxonomy being evidence of the potential negative impacts to credibility if the methodology is not specifically linked to a science-based emissions reduction scenario. With regard to Option 2 transition risk and opportunity approach – items 1 and 2 are criteria for excluding activities and largely duplicate. Recommendation 13. Only item 3 is relevant and requires subjective determination of potential commercial success, which is (or should be) outside the scope of the Taxonomy.</p>

No.	Recommendation / Question	Do you agree with this recommendation?	Our response
13	The Australian taxonomy should include further qualifying criteria assessment of “do no significant harm” that meets the unique needs of Australia, including but not limited to standards for respecting Indigenous rights and heritage and supporting workers and communities in relation to an equitable and just transition.	Agree	
14	<p>For the development phase of the Australian Taxonomy, we recommend the implementation of a three-tier governance model administered by ASFI and comprised as follows:</p> <ul style="list-style-type: none"> <li>• Tier 1) Taxonomy Board</li> <li>• Tier 2) Financial Industry Technical Group</li> <li>• Tier 3) Sector and subject specific working groups and forums</li> </ul> <p>Independent expertise on science-aligned sectoral pathways should be provided to tier 1 as key input to the Taxonomy Board's priorities and utilised by tier 2 in the development of technical criteria for taxonomy aligned activities</p>	Agree in part	<p>Tier 1 Taxonomy Board While mention is made in the document for the requirement of independence from political considerations, no mention is made of the requirement for independence from financial sector commercial interests. To achieve the primary objective of credibility, the Taxonomy needs to be independent of both political and commercial interference. Hence the Taxonomy Board should be independent of both government and for-profit finance industry representation.</p> <p>A Taxonomy Board with for -profit finance industry representation would not be credible. To the extent the Taxonomy represents a regulatory code, it has been repeatedly shown that self-regulation in the Australian for-profit financial sector does not work and that finance industry participants, particularly Australian banks and insurance companies, are incapable of putting the interests of customers and community stakeholders ahead of their own commercial self-interest. This was particularly evidenced during the Financial System Royal Commission. To quote former APRA Chair Wayne Byres from a speech titled ‘Is Self-Regulation Dead’, “Yet we still too often see in the financial sector a failure to self-regulate in a manner that appropriately balances the interests of all stakeholders.” The Taxonomy Board needs to be independent of any for-profit financial representation.</p> <p>The interests of the for-profit sector can be adequately represented at the Tier 2 level. Tier 2 Financial Industry Technical Group. Whether an activity is sustainable or consistent with the transition to net zero is a question which requires scientific, industry and possibly engineering expertise to answer. How the activity is financed is immaterial to whether the activity is inherently sustainable. Hence finance industry representation should not dominate the Tier 2 governance body and the name should be changed to remove the reference to ‘Finance Industry’. Our suggestion is ‘Technical Experts Group’. (TEG). We would suggest here the focus is on scientific and technical expertise in determining membership, the TEG cannot be dominated by finance sector representation and maintain credibility.</p> <p>Recommendation 14 reference to Tier 1 and Tier 2 governance should be rewritten as: For the development phase of the Australian taxonomy, we recommend the implementation of a three-tier governance model administered by ASFI and comprised as follows: Tier 1 - Taxonomy Board: The structure of the Board cannot be prescribed until the role of the taxonomy as a voluntary or regulatory instrument has been determined. However, to achieve the primary objective of credibility, the Board must be independent of both political and for-profit commercial representation and bound by a clear and objective mandate predicated on scientific principles.</p> <p>The role of the Board is to set the objectives, design principles, methodology to establish the taxonomy criteria, and priorities for development, and approve taxonomy proposals. Consideration to be given to the appropriate role of Australia's key economic and regulatory agencies: APRA, the RBA and ASIC. Tier 2 - Technical Expert Group: Fixed term transparent membership from experts covering scientific, climate, environment, industry, social, regulatory, data and taxonomy relevant expertise. Responsible for the development of taxonomy proposals and convening of sector- and subject-specific working groups.</p>



No.	Recommendation / Question	Do you agree with this recommendation?	Our response
15	To assist with addressing greenwashing, reporting on taxonomy alignment should be mandatory where users are seeking to make claims around the sustainability objectives covered by the Taxonomy in relation to their activities, financial instruments, products and/or the development of sustainability labels and standards.	Agree	

#### Final Thoughts - Do you have any further feedback on the Australian Framing Paper or ongoing development of an Australian taxonomy?

The process leading to the formation of ASFI and the development of a Taxonomy commenced in 2018, more than four years ago. Under the existing roadmap, no technical screening criteria is due to be released until the end of 2024 at the earliest. While the work is detailed and important, given progress and developments overseas, this is simply too long and damages the credibility of the Taxonomy. (It is also not consistent with Jim Chalmers announcement of a Taxonomy release in 2023.) There is already sufficient criticism of ESG as ‘a framework for discussing important issues without actually doing anything’. Given the accelerating destabilisation of the climate system and the need for rapid decarbonisation of the economy, more urgency is needed in the development of the Taxonomy screening criteria. It doesn’t need to be perfect; it just needs to be credible.