

Betashares Ethical Screening Methodology



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Introduction

This document provides a general overview of the screening process employed in select Betashares ethically screened fixed income products. The document provides a description of the governance, methodology and criteria used for screening.

For fund specific matters, investors should refer to the relevant fund page and underlying index methodology document.

Governance

Responsible Investment Committee (RIC)

A Responsible Investment Committee (RIC) is responsible for overall governance of the screening process which leads to the determination of the issuer inclusion list. The RIC is comprised of three individuals that have expertise and experience in responsible investing.

Betashares Legal and Compliance

Betashares Legal and Compliance provides a secretarial function to the RIC.

Legal and Compliance also oversee the group risk and compliance framework e.g. oversees and maintains the Conflicts of Interest framework.

Betashares Responsible Investment Team

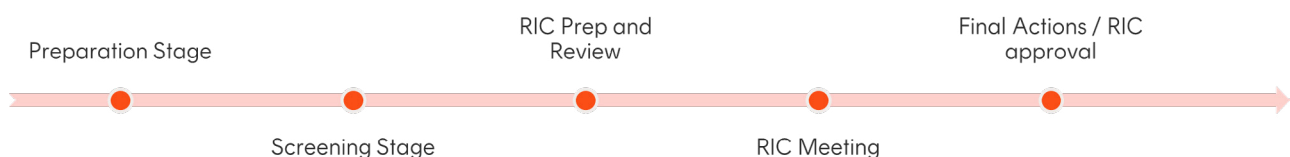
The Betashares Responsible Investment Team is responsible for day to day oversight of the ethical funds, manages the interaction with the RIC and is involved in screening analysis. The Responsible Investment Team is headed by the Director – Responsible Investments.

Screening Process

Process Overview

The Process includes the following steps:

- **Preparation:** This includes identifying the starting universe of eligible securities, the applicable screens and required data.
- **Screening:** This is the systematic application of screens to the starting universe of issuers/securities. Refer to the relevant fund page and underlying index methodology document for the list of screening criteria and thresholds applicable to each product.
- **RIC meeting and approval:** The screened issuer list is reviewed and approved by the RIC.



Preparation

Description: The preparation stage includes for example ensuring that all data sources are reliable and up to date. As part of this initial stage there is also review of the engagement database to determine issuer responses to engagement initiatives and consideration is put to outcomes from the prior year screening process to ensure there is continuous improvement.

Screening

Description: Following the receipt of the issuer universe the process involves -

- Application of eligibility rules relating to size, liquidity etc, or if applicable application of positive screening criteria.
- Mapping subsidiaries and special-purpose vehicles (SPVs) to the parent/group entity
- For each issuer, the analyst reviews the prior year screening results. If the issuer was previously excluded and the reason for exclusion has not been resolved, the issuer fails that screen. If the issuer does not have any historical issues, the analyst screens the issuer against the 1st screening criteria.
- Screen Pass/Flag/Fail
 - If the issuer passes the first screen without any concerns, the analyst moves on to the next screen. Once all screening for all criteria is complete, the analyst moves on to the next issuer.
 - If the issuer passes the screen but the analyst encounters doubts or issues, the issuer is flagged for review.
 - If the issuer fails, the analyst documents the rationale for failure and data sources.
- Check using commercial database - All issuers with a 'Pass' or 'Flagged' screening result are screened using a separate database as a secondary control check. Any issuers flagged at this point are rescreened.
- Historical Comparison – All screening results are compared with previous screening history to identify any changes vs prior years.
- Identification of Additions and Deletions – All additions and deletions from the screening process are highlighted and run through the process again to confirm their inclusion or exclusion

RIC Meeting and Final Actions

Description: Meeting documentation is distributed prior to the RIC meeting, generally consisting of:

- The list of data sources
- The screening database
- A memo detailing screening processes and outcomes, discussion of issuers flagged for review, and discussion of any issuers previously excluded now eligible

Importantly the screening process is done over a period of time - the RIC and Responsible Investment team will engage early and walk through documentation with the analysts involved in their preparation, to raise any issues of concern and to request any additional analysis be carried out, prior to the more formalised approval process. Subsequently the RIC meets formally to approve the data sources, discuss and debate the results of the screening process, and provide feedback on the overall process followed and possible process enhancements. The RIC may potentially recommend engagement with a certain issuer prior to taking a final call on inclusion or exclusion. Lastly, the RIC approves the final inclusion list of issuers which is then forwarded to the Index Provider for their final checks.

Ethical screens applied

Details of the negative screens applied to Betashares range of ethical investment products can be found in the Exposure Limit Guidelines in the Resources section of the specific product.

Data sources

Data sources used for screening process:

- Data sources have been classified on a screen-by-screen basis.
- Data sources listed below are not a comprehensive list and are updated annually.

Screening criteria	Data sources
Fossil Fuels	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Publicly available reports highlighting major fossil fuel projects, expansions, evidence of significant financing provided to fossil fuel projects, and evidence of major insurers backing fossil fuel projects.• Commercial ESG database
Gambling	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial database
Tobacco	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Uranium & Nuclear Energy	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Armaments & Militarism	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Destruction of Valuable Environments	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database• Publicly available reports and research from NGOs and Not-for-Profits.
Animal Cruelty	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database• Publicly available reports and research from NGOs and Not-for-Profits.
Chemicals of Concern	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database• Publicly available reports and research from NGOs and Not-for-Profits.
Alcohol	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Junk Foods	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Pornography	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database
Human & Labour Rights	<ul style="list-style-type: none">• Issuer documentation including annual reports, modern slavery reports, investor presentations, websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG database• Publicly available reports and research from NGOs and Not-for-Profits.
Board Diversity	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG databases.
Payday/Predatory Lending	<ul style="list-style-type: none">• Issuer documentation including annual reports, investor presentations websites, press releases, reports, and permit or licensing applications to governing bodies.• Commercial ESG databases.