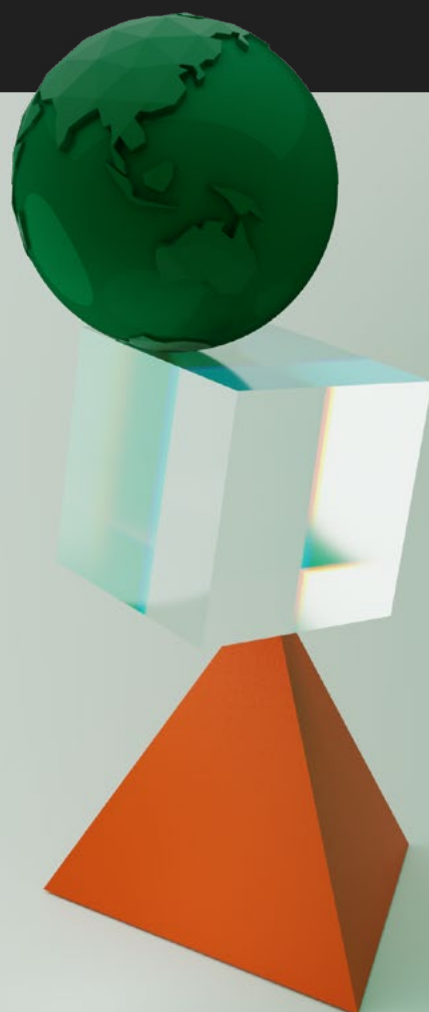


GBND

# Index Rebalance Summary 2023



Betashares Sustainability Leaders Diversified Bond ETF - Currency Hedged aims to track the Nasdaq Future Global Sustainability Leaders Index (Index) before fees and expenses.

This report describes the changes made to the Index constituents as part of the annual index rebalance and reconstitution in February 2023. This process included full screening of eligible constituents in accordance with the Index methodology.

Issuers are classified into two categories- those that meet the green bonds requirements, and those that satisfy the Other ESG-screened (non-green) bonds requirement.

Whilst non-green bonds by the same issuer may be excluded given any exposure to fossil fuels, uranium and nuclear energy, green bonds have maximum revenue limit of 5% to the aforementioned activities. As such, if an issuer passes the screening for non-green bonds, they will automatically qualify under the green bonds screen.

## Issuer additions

There were 30 new issuers included in the green bond universe. Some noteworthy examples outlined below:

Name	Ticker	Use of proceeds
Nordea Mortgage Bank Plc issued its first Finnish covered green bond in November 2022. The funds from this bond are allocated to green assets that promote climate-friendly and other environmental purposes.	NDASS	Nordea plans to use the proceeds to finance the construction of new buildings with energy performance at least 10% lower than the threshold set for nearly zero-energy buildings, and conducting major renovations that lead to the reduction of energy demand of at least 30%.
Lenovo Group issued its inaugural green bond in June 2022. The bond is dedicated to financing projects and initiatives to support Lenovo's ESG commitments.	LENOVO	Lenovo plans to use the proceeds to finance eligible projects across five categories: energy efficiency, renewable energy, green buildings, circular economy adapted products, production and processes, and clean transportation.
Amgen Inc issued its inaugural green bond in February 2022. The bond proceeds will be used to advance Amgen's ESG goals and fund eligible green projects focused on green buildings, circular economy adapted products and renewable energy.	AMGN	Proceeds will be used to fund eligible projects in the following categories: green buildings, eco-efficient operations and processes, eco-efficient products, renewable energy, and clean transportation.

In this year's rebalance, the RIC confirmed the following changes to the conventions applied in the application of the negative screens:

- **Carbon offset providers:** green bonds issued to fund projects that generate carbon offsets through avoided deforestation will be deemed ineligible due to the lack of integrity in voluntary carbon markets.
- **Diversity screen - Special Purpose Vehicles (SPVs):** The Index Methodology states that for all bond issuers other than sovereign issuers, an exclusion will apply if there are no women on the board of directors. Bonds, including green bonds, are frequently issued by Special Purpose Vehicles (SPV), which are non-operating legal entities established for financial risk management purposes. The RIC has determined that in the application of the diversity screen, where the issuer is an SPV, the screen will be applied at the parent group company level.

A full list of the Index Additions for Green Bonds is included in Appendix A.

## Issuer deletions

The Index Guideline allows the RIC to exclude issuers if they are sovereign and subject to current sanctions, or they are exposed to significant ESG-related reputational risk or controversy. In the green bond list, all four of the following issuers were excluded in last year's reconstitution. In the non-green bond list, one non-green bond issuer was excluded under the controversy screen, which was also excluded during last year's reconstitution.

## Excluded issuers based on controversy and norms-based screening

Issuer	Ticker	Relevant screen	Rationale for Exclusion	Universe
HSBC	HSBC	Controversy	Was removed from the approved issuers list in February 2021 due to significant lending to Viettel, a Vietnamese telecommunications company that, alongside the Myanmar military, is part-owner of Myanmar telco Mytel, a company used by the Myanmar militia.	Green Bonds
Sumitomo Mitsui Financial Group	8316	Controversy	Was excluded at the recommendation of the RIC in 2021 due to financing the Myanmar military. This year's analysis shows no significant change to the situation.	Green Bonds
PostNL	PNL	Controversy	Excluded for significant ongoing issues related to fraud, tax avoidance, and human trafficking for which the board is being prosecuted for.	Green Bonds
Kia Corporation	000270	Controversy	Excluded due to a recent emission cheating scandal, affecting cars sold up until 2020.	Green Bonds
Westconnex Finance Company	N/A	Controversy	Was excluded at the recommendation of the RIC in 2021 as this is viewed as a controversial project generally characterised by a lack of transparency, and forcing out residents in lower socio-economic suburbs. This year's analysis shows no significant change to the situation.	Non-green Bonds

## Excluded issuers based on other screening

Five issuers were removed from the Index on the basis of other screening undertaken by the RIC:

- one company did not pass the gambling screen set out in the index methodology at this rebalance
- one company did not pass the gender diversity screen set out in the index methodology at this rebalance
- three companies were not included in the starting universe as per the requirements set out in the index methodology at this rebalance

These constituents and the reasons for their removal are laid out below:

Issuer	Ticker	Relevant screen	Rationale for deletion	Universe
NRW Bank	NRWBK	Gambling	No longer passes gambling screen due to the operation of a lottery business.	Green Bonds
Export-Import Bank Korea	EIBKOR	Board Diversity	No longer passes the board diversity screen.	Green Bonds
Duke Realty Corporation	DRE	N/A	Not included in the starting universe as per the requirements set out in the index methodology.	Green Bonds
Canary Wharf Group	CWHARF	N/A	Not included in the starting universe as per the requirements set out in the index methodology.	Green Bonds
Barclays	BACR	N/A	Not included in the starting universe as per the requirements set out in the index methodology.	Green Bonds

## Index additions

Issuer	Ticker	Rationale for addition	Universe
Midea Investment Development	MIDEAZ	Now has female representation on their board.	Green Bonds
NSTAR Electric Co	ES	New data available that details NSTAR Electric as a subsidiary that only does electricity transmission, not fossil fuel energy generation as the parent company does.	Green Bonds
Owens Corning	OC	Company previously failed under chemicals of concern screen for historic asbestos exposure. Company has remediated the situation and continues to pay out people who were harmed by their products.	Green Bonds
Lansforsakringar Bank AB	LANSBK	New issuer.	Green Bonds
Hangzhou Water Group Co. Ltd.	HZWTGC	New issuer.	Green Bonds
KB Kookmin Bank	CITNAT	New issuer.	Green Bonds
Slovenska sporitelna as	SLOSP0	New issuer.	Green Bonds
Lenovo Group Limited	LENOVO	New issuer.	Green Bonds
Jyske Bank A/S	JYBC	New issuer.	Green Bonds
OP-Asuntoluottopankki Oyj	OPBANK	New issuer.	Green Bonds
Unione di Banche Italiane SpA	ISPIM	New issuer.	Green Bonds
Mitsubishi HC Capital Inc.	MITHCC	New issuer.	Green Bonds
Skandinaviska Enskilda Banken	SEB	New issuer.	Green Bonds
Amprion GmbH	AMPRIO	New issuer.	Green Bonds
Amgen Inc.	AMGN	New issuer.	Green Bonds
Banco BPM SpA	BAMIIM	New issuer.	Green Bonds

Issuer	Ticker	Rationale for addition	Universe
Nordea Mortgage Bank Plc	NDASS	New issuer.	Green Bonds
PSA Banque France SA	PSABFR	New issuer.	Green Bonds
National Grid Electricity Transmission	NGGLN	New issuer.	Green Bonds
Banca Mediolanum SpA	MEDIM	New issuer.	Green Bonds
Nerval SAS	LAMART	New issuer.	Green Bonds
Honda Motor Co., Ltd.	HNDA	New issuer.	Green Bonds
Greentown China Holdings Ltd.	GRNCH	New issuer.	Green Bonds
Deutsche Hypothekenbank	NDB	New issuer.	Green Bonds
Elia Transmission Belgium NV	ELIATB	New issuer.	Green Bonds
Achmea BV	ACHMEA	New issuer.	Green Bonds
Covestro AG	COVEGR	New issuer.	Green Bonds
Korea Water Resources Corp	KORWAT	New issuer.	Green Bonds
State of Hessen	HESSEN	New issuer.	Green Bonds
Statkraft AS	STATK	New issuer.	Green Bonds

BetaShares Capital Limited (ABN 78 139 566 868, AFSL 341181) ("BetaShares") is the issuer of the Fund. This information is general only, is not personal financial advice, and is not a recommendation to buy units or adopt any particular strategy. It does not take into account any person's financial objectives, situation or needs. The Product Disclosure Statement (PDS) and Target Market Determination (TMD) is available at [www.betashares.com.au](http://www.betashares.com.au) in. Any person wishing to invest should obtain a copy of the PDS and obtain financial advice in light of their individual circumstances.

No assurance is given that any of the issuers in the portfolio will be profitable investments.

The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index or in any other respect. The Index is calculated and published by Solactive AG. Neither publication of the Index by Solactive AG nor the licensing of the Index for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in the Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Fund.

There are risks associated with an investment in the Fund, including interest rate risk, credit risk, international investment risk and non-traditional index methodology risk. For more information on risks and other features of the Fund, please see the Product Disclosure Statement.