



Betashares Investment Funds Scheme

# Statement of Investment Policy and Objectives

Issued by Betashares Capital  
NZ Limited



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## 1 PURPOSE OF THIS SIPO

This document sets out the objectives and policies governing investment decisions in relation to the Funds described under section 2. The current Statement of Investment Policy and Objectives ('SIPO') is available on the Betashares website, at [www.betashares.co.nz](http://www.betashares.co.nz) and on the Disclose Register, at <https://discloseregister.companiesoffice.govt.nz/>

## 2 ABOUT THE FUNDS

Betashares Capital NZ Limited ('Betashares') is a licensed Managed Investment Scheme ('MIS') Manager.

Betashares Investment Funds Scheme is a registered managed investment scheme ('Scheme').

Betashares currently offers seven funds (collectively 'Funds'):

1. Betashares Australia 200 Fund ('AUS 200')
2. Betashares Australian Investment Grade Corporate Bond Fund (NZD Hedged) ('AUS CREDIT')
3. Betashares Australian Sustainability Leaders Fund ('AUS SUSTAINABLE')
4. Betashares Global Quality Leaders Fund ('GLOBAL QUALITY')
5. Betashares Global Sustainability Leaders Fund ('GLOBAL SUSTAINABLE')
6. Betashares Global Sustainability Leaders Fund (NZD Hedged) ('GLOBAL SUSTAINABLE NZD')
7. Betashares NZ Sustainability Leaders Fund ('NZ SUSTAINABLE')

Each Fund is a separate and distinct trust but they all sit within the Scheme.

The Supervisor of the Funds is Trustees Executors Limited ('Supervisor'), and is responsible for the supervision of the Funds and the Manager in respect of the Funds. The Supervisor is independent of the Manager.

The Funds are all passively managed and index tracking. Each may obtain its respective investment exposure via an underlying exchange traded fund ('ETF'), underlying fund and/or may buy the underlying securities directly, seeking to minimise any tracking error to the relevant benchmark before fees and costs.

The risk rating of each Fund is described in the Fund Schedules.

Further details on each Fund's objectives and strategy is detailed in the Fund Schedules.

## 3 INVESTMENT PHILOSOPHY

Betashares is guided by our core principles: simplicity, cost-effectiveness and transparency. Betashares' investment philosophy is to deliver long term value to investors, via:

- Low investment costs – reducing the cost of investing is one of the most direct ways to improve investment outcomes
- Effective passive investment Funds – funds tracking custom index methodologies have been designed with thought given to return, liquidity and risk characteristics, providing effective exposure to a given asset class
- Exposure to 'Smart beta' and factor investment strategies in certain Funds – these target the alpha premium that active managers seek to exploit but at a lower fee level.

By delivering on our investment philosophy, Betashares believes we are well positioned to help New Zealand investors achieve their long-term investment goals.

## 4 INVESTMENT POLICY

The Scheme's overall policy objective is to provide New Zealand-based investors with a range of cost-effective, diversified exposures.

The recommended investment timeframe is described in each Fund Schedule.

## 5 INVESTMENT STRATEGY

Each Fund seeks to track the performance of an index (before fees and expenses). The Funds are all strictly passively managed, consistent with the relevant index methodology rules.

Betashares will monitor the use of the permitted investments and each Fund's performance relative to the

index daily, seeking to minimise any tracking error.

## **6 POLICIES**

### **6.1 REBALANCING POLICY**

Each Fund's exposure is rebalanced on the same frequency as the index that it seeks to track, for example, quarterly or half yearly. It is expected that rebalancing to align with the relevant index will be undertaken on the same day changes are made to the index.

In some circumstances, however, the exposure of a Fund may not exactly replicate the index. For example, it may not be possible or practical to do so in some circumstances, such as where investment restrictions apply which would prevent investment in a particular security. The Funds, from time to time, may not have exposure to all of the securities comprising the relevant index and may have exposure to securities in weightings which differ from the index, particularly where a sampling strategy is applied. Under a sampling strategy, a Fund's exposure to individual securities may be above or below that security's actual weighting in the Index. A Fund may have exposure to as many securities as Betashares believes is necessary to achieve the Fund's investment objective. The sample of securities will be determined based on a number of factors, including the liquidity and size of the security, the size of the Fund, the portfolio's exposure to countries, currencies and industry sectors and market capitalisations (in each case, relative to the corresponding exposures under the Index).

The rebalancing process will be overseen by our Portfolio Management function.

### **6.2 DERIVATIVES USAGE POLICY**

Derivatives may be used to manage cash flows, to more efficiently obtain the desired investment exposure and for currency hedging purpose. All Funds may use derivatives from time to time, consistent with their investment strategy.

The types of derivative instruments that may be used include futures, options or forward foreign exchange contracts and may be exchange traded or transacted on an over the counter (known as OTC) basis directly with a counterparty.

The use of derivatives will be overseen by our Portfolio Management function.

### **6.3 COUNTERPARTY RISK POLICY**

Betashares will engage with a number of counterparties in operating the Scheme and for differing reasons, which include for fund trading activity, derivatives usage and for the safe keeping of fund assets.

Prior to entering into an arrangement with a new counterparty, appropriate due diligence is completed that includes consideration of matters such as their regulated status, reputation, operational capabilities and experience.

Counterparty risk is monitored on an ongoing basis.

### **6.4 CURRENCY HEDGING**

Currency hedging involves seeking to materially remove the foreign currency risk associated with a Fund's international holdings.

Dependent on the exposure, the Fund's assets may be denominated in one or more overseas currencies. The NZ dollar (NZD) value of the assets will increase or decrease as a result of exchange rate fluctuations. This means that if the currency in which an investment of a Fund is denominated depreciates relative to the NZD, then the value of that investment (in NZD) (and assuming no other changes) will decrease (and vice versa).

Betashares does not intend to hedge the Funds' currency exposures, with the exception of AUS CREDIT and GLOBAL SUSTAINABLE NZD (which we intend will be fully currency hedged, in line with the respective index each Fund seeks to track). Note that whilst currency hedging seeks to minimise the impact of currency fluctuations on Fund returns, it does not necessarily eliminate the Fund's exposure to all foreign currency movements and it may not prove effective.

A Fund that adopts currency hedging may not outperform an equivalent unhedged investment over any time period.

Betashares will use only forward foreign exchange contracts as part of its currency hedging strategy. Use of these derivatives is monitored by our Portfolio Management function as part of overall Fund operations.

## 6.5 SECURITIES LENDING

Securities lending involves lending Fund assets (such as securities) to another party. Securities lending requires the borrower to post collateral until the original asset is returned to the fund, and likewise is required to pay a loan fee and interest on the loan.

The Funds do not currently undertake securities lending but may do so in the future on a Fund by Fund basis. Underlying funds used to obtain investment exposure may separately engage in securities lending.

## 6.6 UNIT PRICING AND VALUATIONS

Betashares has outsourced fund investment administration, including fund valuations and unit pricing, to BNP Paribas Fund Services Australasia Pty Ltd.

However, Betashares still retains ultimate responsibility for fund investment administration.

The value of the assets held by the Scheme and the net asset value of each Fund will be determined in accordance with the Governing Document (and any establishment deed), using reputable data providers and in accordance with the Betashares unit pricing and valuations policy.

Each Fund is normally valued every business day.

## 6.7 CONFLICTS OF INTEREST

Betashares has an established conflicts of interest framework, which seeks to identify and appropriately manage all conflicts identified. Within this process, all conflicts and their respective proposed mitigation strategy will be approved by Betashares' board of directors.

Betashares will disclose conflicts of interest in the nature of related party transactions on the Scheme's offer register at <https://disclose-register.companiesoffice.govt.nz>. The information disclosed will include the nature of the conflict of interest, the Funds that the conflict of interest has an impact on and how the conflict of interest is being managed.

## 6.8 OUTSOURCING

Betashares has outsourced investment management and operations to its related parties, Betashares Capital Limited (Betashares AU) and Betashares Holdings Pty Ltd, respectively, and recognises these arrangements as an operational risk.

Betashares AU is an Australian-based funds management business, regulated by the Australian Securities and Investment Commission. It was established in 2009 and is one of the largest exchange traded product managers in Australia. As at 30 June 2025, it manages over \$50b across over 90 exchange traded products.

Betashares considers its related parties have the necessary skills and experience to perform the services being outsourced to the relevant party.

Betashares has entered into investment management and service agreements with Betashares AU and Betashares Holdings Pty Ltd, respectively, that outline all material elements of the arrangement. Betashares will monitor performance with the agreements on an ongoing basis.

Betashares will make all decisions based on the best interests of investors, as opposed to the interests of other entities in the Betashares group of companies.

## 6.9 RELATED PARTY TRANSACTIONS

Related party transactions are regulated under the Financial Markets Conduct Act 2013 ('FMC Act'). Betashares and its related parties (e.g. Betashares AU) cannot enter into a transaction that provides a related party benefit unless it is conducted within the exceptions under the FMC Act.

Betashares' board of directors will consider any related party transaction in accordance with the FMC Act and ultimately the Supervisor will be notified of any transactions approved by the board.

Transactions may be approved on the basis they are on commercial arm's length terms or where Betashares has obtained the consent of the Supervisor.

## 6.10 PROXY VOTING POLICY

Betashares has an established proxy voting policy and process.

Betashares may engage in proxy voting for a Fund, depending on factors such as the size of the Fund and its investment strategy.

Proxy voting reporting will be made available on the Betashares website annually in July, commencing in July 2025.

## 7 INVESTMENT MANAGEMENT AND OVERSIGHT

Betashares maintains a framework covering the varying aspects of Betashares' requirements as a licensed MIS Manager, and which outline the approach required to be taken in relation to the operation of the Scheme and the business more broadly.

### 7.1 INVESTMENT COMMITTEE

Betashares has an Investment Committee ('IC') that comprises senior management, including Compliance representatives and the Portfolio Managers that operate the Scheme. Ultimately, the IC monitors each Fund for compliance with its investment strategy and the SIPO.

Any breaches of the SIPO are reported to the Compliance Committee, Board and the Supervisor.

The IC may recommend changes to the SIPO from time to time. These changes must be approved by the Board. Quarterly reports for the Scheme are generated by IC delegates, reviewed by the Board and Compliance Committee and provided to the Supervisor.

### 7.2 SUPERVISOR

Trustees Executors Limited is the appointed independent Supervisor for the Scheme.

### 7.3 CUSTODIAN

The Supervisor can hold the assets of the Scheme or appoint an independent third-party custodian.

BNP Paribas Fund Services Australasia Pty Ltd have been appointed as the independent third-party custodian for the Scheme.

### 7.4 ADMINISTRATION MANAGER

Betashares has outsourced investment administration, which includes asset valuation and unit pricing, to BNP Paribas Fund Services Australasia Pty Ltd.

### 7.5 UNIT REGISTRY

Betashares has outsourced the Scheme's unit registry function to MUFG Retirement Solutions, a division of MUFG Pension & Market Services.

## 8 PERMITTED INVESTMENTS

The Scheme may invest in the following permitted investments.

Asset Class	Permitted investments
Cash and Cash Equivalents	Cash at bank and ETFs that invest in cash and money market instruments (which may include those offered by a related party to Betashares).
International Fixed Interest	Non-NZ dollar denominated fixed income securities and ETFs providing exposure to international fixed income (which may include those offered by a related party to Betashares).
NZ Equities	NZ listed equities, funds and ETFs providing exposure to NZ equities (which may include those offered by a related party to Betashares).
International Equities	Equities listed on international securities exchanges, funds and ETFs that provide international equities exposure (which may include those offered by a related party to Betashares).
Foreign Exchange	Spot and forward foreign exchange contracts.
Derivatives	Exchange traded derivatives such as futures and options, providing exposure to the above asset classes.
Other	Other investments not captured above that may be used from time to time to achieve the respective Fund's investment objective, and as agreed to with the Supervisor.

## 9 INVESTMENT MONITORING AND REPORTING

Our Portfolio Management function monitors each Fund's performance relative to its benchmark on a daily basis.

Fund performance is measured to the Fund's objective and to its benchmark on a post fees basis, which is also used to identify any tracking error to the relevant index.

Performance reporting is provided daily to Betashares' senior management.

Performance reporting is provided to the IC, Betashares' Compliance Committee and Board at least on a quarterly basis.

Performance information, and the quarterly Fund Updates are available on the Betashares website [www.betashares.co.nz](http://www.betashares.co.nz).

Betashares outsources investment management services to its related party, Betashares AU, and the performance of Betashares AU is monitored as described above.

## 10 SIPO AND INVESTMENT STRATEGY REVIEW

### 10.1 SIPO

The SIPO is reviewed at least annually by the IC. The review considers any required changes to the investment strategy, policies, or changes to relevant law that might affect the SIPO.

The SIPO will also be updated on an ad hoc basis, when, for example, there is a material change to be implemented for any of the Funds or when required by relevant law.

All review outcomes, including any proposed changes, will be provided to Betashares' Compliance Committee and Board. No changes can be implemented without the Board's approval. The Supervisor will be provided written notice of any proposed changes prior to implementation.

### 10.2 INVESTMENT STRATEGY

The investment strategy of each Fund is reviewed at least annually by the IC. The review considers matters such as investment performance, the effectiveness of the instruments used to achieve the investment objective, any index tracking error, the requirements of the underlying index methodology, any issues that have occurred over the prior 12 months and investor and counterparty feedback received.

The investment strategy of each Fund may also be updated on an ad hoc basis, for example, when there is a material change to a Fund such as a change to the underlying index or instruments to be used to obtain the investment exposure.

All review outcomes, including any proposed changes, will be provided to Betashares' Compliance Committee and Board. No changes can be implemented without the Board's approval. The Supervisor will also be provided written notice of any proposed changes prior to implementation.

## 11 COUNTERPARTY DISCLAIMERS

### 11.1 BNP PARIBAS FUND SERVICES AUSTRALASIA PTY LTD

BNP Paribas Fund Services Australasia Pty Ltd ('BNP Paribas') has been appointed as the custodian and administrator for the Scheme. BNP Paribas provides asset valuations, unit pricing and fund accounting services in respect of the Scheme. BNP Paribas' role as custodian is limited to holding the assets of the Scheme. BNP Paribas has no supervisory role in relation to the operation of the Scheme. BNP Paribas does not make investment decisions in respect of the assets held in the Scheme or manage those assets, and has no liability or responsibility to investors in the Scheme. BNP Paribas is not responsible for the preparation of this document and therefore accepts no responsibility for any information in this document.

### 11.2 SOLACTIVE, AG

The Betashares Australia 200 Fund, Betashares Australian Investment Grade Corporate Bond Fund and Betashares NZ Sustainability Leaders Fund are 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 either Index and/or Index trade mark or the Index Price at any time or in any other respect. Each Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that each Index is calculated correctly. Irrespective of its obligations towards the Issuer, Solactive AG has no obligation to point out errors in either Index to third parties including but not limited to investors and/or

financial intermediaries of the Funds. Neither publication of each Index by Solactive AG nor the licensing of each Index or Index trade mark for the purpose of use in connection with the Funds constitutes a recommendation by Solactive AG to invest capital in the Funds nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Funds.

### 11.3 NASDAQ, INC

The Betashares Australian Sustainability Leaders Fund, Betashares Global Sustainability Leaders Fund and Betashares Global Sustainability Leaders Fund (NZD Hedged) is not sponsored, endorsed, sold or promoted by Nasdaq, Inc. or its affiliates (Nasdaq, with its affiliates, are referred to as the "Corporations"). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, these Funds. The Corporations make no representation or warranty, express or implied to the owner of each Fund or any member of the public regarding the advisability of investing in securities generally or in the Funds particularly, or the ability of the Nasdaq Future Global Sustainability Leaders Index, Nasdaq Future Global Sustainability Leaders Currency Hedged NZD Index or Nasdaq Future Australian Sustainability Leaders Index to track general stock market performance. The Corporations' only relationship to Betashares Holdings Pty Limited ("Licensee") is in the licensing of the Nasdaq® mark, certain trade names of the Corporations and the use of the Nasdaq Future Global Sustainability Leaders Index, Nasdaq Future Global Sustainability Leaders Currency Hedged NZD Index and Nasdaq Future Australian Sustainability Leaders Index which is determined, composed and calculated by Nasdaq without regard to Licensee or the Funds. Nasdaq has no obligation to take the needs of the Licensee or the owners of the Funds into consideration in determining, composing or calculating the index. The Corporations are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Funds to be issued or in the determination or calculation of the equation by which each Fund is to be converted into cash. The Corporations have no liability in connection with the administration, marketing or trading of the Funds.

THE CORPORATIONS DO NOT GUARANTEE THE ACCURACY AND/OR UNINTERRUPTED CALCULATION OF THE NASDAQ FUTURE GLOBAL SUSTAINABILITY LEADERS INDEX, NASDAQ FUTURE GLOBAL SUSTAINABILITY LEADERS CURRENCY HEDGED NZD INDEX OR NASDAQ FUTURE AUSTRALIAN SUSTAINABILITY LEADERS INDEX OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, OWNERS OF THE FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF EACH INDEX OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO EACH INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE CORPORATIONS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

### 11.4 STOXX LTD

STOXX Ltd., Deutsche Börse Group and their licensors, research partners or data providers have no relationship to Betashares, other than the licensing of the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index® and the related trademarks for use in connection with the Betashares Global Quality Leaders Fund.

iSTOXX indices are tailored to a customer request or market requirement based on an individualized rule book which is not integrated into the STOXX Global index family.

STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not:

- sponsor, endorse, sell or promote the Betashares Global Quality Leaders Fund.
- recommend that any person invest in the Betashares Global Quality Leaders Fund or any other securities.
- have any responsibility or liability for or make any decisions about the timing, amount or pricing of the Betashares Global Quality Leaders Fund.
- have any responsibility or liability for the administration, management or marketing of the Betashares Global Quality Leaders Fund.
- consider the needs of the Betashares Global Quality Leaders Fund or the owners of the Betashares Global Quality Leaders Fund in determining, composing or calculating the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index or have any obligation to do so.

STOXX, Deutsche Börse Group and their licensors, research partners or data providers give no warranty, and

exclude any liability (whether in negligence or otherwise), in connection with the Betashares Global Quality Leaders Fund or their performance.

STOXX does not assume any contractual relationship with the purchasers of the Betashares Global Quality Leaders Fund or any other third parties.

Specifically,

- STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not give any warranty, express or implied, and exclude any liability about:
  - The results to be obtained by the Betashares Global Quality Leaders Fund, the owner of the Betashares Global Quality Leaders Fund or any other person in connection with the use of the iSTOXX MUTB Global ex-Australia Quality Leaders Index and the data included in the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index;
  - The accuracy, timeliness, and completeness of the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index and its data;
  - The merchantability and the fitness for a particular purpose or use of the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index and its data;
  - The performance of the Betashares Global Quality Leaders Fund generally.
- STOXX, Deutsche Börse Group and their licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions in the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index or its data;
- Under no circumstances will STOXX, Deutsche Börse Group or their licensors, research partners or data providers be liable (whether in negligence or otherwise) for any lost profits or indirect, punitive, special or consequential damages or losses, arising as a result of such errors, omissions or interruptions in the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index or its data or generally in relation to the Betashares Global Quality Leaders Fund, even in circumstances where STOXX, Deutsche Börse Group or their licensors, research partners or data providers are aware that such loss or damage may occur.

The licensing Agreement between Betashares and STOXX is solely for their benefit and not for the benefit of the owners of the Betashares Global Quality Leaders Fund or any other third parties.

## 12 FUND SCHEDULES

### 12.1 BETASHARES AUSTRALIA 200 FUND (AUS 200)

#### 12.1.1 Description of the Fund

AUS 200 aims to tracks the performance of the Solactive Australia 200 Index (the 'Aus 200 Index'), before taking into account fees and expenses.

The Index is designed to provide exposure to 200 of the largest companies listed on the Australian Securities Exchange ('ASX'), based on their free float-adjusted market capitalisation.

The minimum recommended investment timeframe is 5 years.

#### 12.1.2 Investment objective

AUS 200 aims to provide an investment return that tracks the performance of the Aus 200 Index, before taking into account fees and expenses.

#### 12.1.3 Investment strategy

The Fund will invest in the securities that make up the AUS 200 Index and/or invest in an ASX traded ETF that provides exposure to the Aus 200 Index.

Asset Class	Asset Allocation
Australasian equities	100%

Note: small cash balances (being up to a maximum of 1% of the Fund's net asset value) will be held from time to time.

Risk rating: 5 - this Fund has a high level of volatility.

Given AUS 200's investment objective is to track the Aus 200 Index, it is expected the Fund will be fully

invested, meaning there are no specified minimum or maximum investment limits (noting small cash balances will be held from time to time).

#### 12.1.4 Authorised investments

AUS 200 may invest in:

- Securities listed on the ASX
- ETFs available on the ASX (that may include those offered by a related party to Betashares)
- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded exchange traded funds (ETFs) that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares).

#### 12.1.5 Further information

Further information about AUS 200 and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

## 12.2 BETASHARES AUSTRALIAN INVESTMENT GRADE CORPORATE BOND FUND (AUS CREDIT)

### 12.2.1 Description of the Fund

AUS CREDIT aims to tracks the performance of the Solactive Australian Investment Grade Corporate Bond Select TR NZD Hedged Index (the "Aus Credit Index"), before taking into account fees and expenses. The index comprises a portfolio of fixed rate, investment grade Australian dollar-denominated bonds with maturities between 5.25 and 10.25 years, hedged to NZ dollars.

The minimum recommended investment timeframe is 3 years.

### 12.2.2 Investment objective

AUS CREDIT aims to provide an investment return that aims to track the performance of the Aus Credit Index, before taking into account fees and expenses.

### 12.2.3 Investment strategy

The Fund will invest in the securities that make up the Aus Credit Index and/or invest in an ASX traded ETF that provides exposure to the Aus Credit Index.

Betashares will also use forward foreign exchange contracts with the aim of minimising the impact of currency fluctuations on Fund returns.

Asset Class	Asset Allocation
International Fixed Interest	100%

Note: small cash balances (being up to a maximum of 1% of the Fund's net asset value) will be held from time to time.

Risk rating: 4 - this Fund has a medium to high level of volatility.

Given AUS Credit's investment objective is to track the Aus Credit Index, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (noting small cash balances will be held from time to time).

### 12.2.4 Authorised investments

AUS CREDIT may invest in:

- The fixed income securities that comprise the Aus Credit Index
- ETFs available on the ASX (that may include those offered by a related party to Betashares)
- Exchange-traded derivatives contracts
- cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares)

- forward foreign exchange contracts.

#### 12.2.5 Further information

Further information about Aus Credit and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

### 12.3 BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS FUND (AUS SUSTAINABLE)

#### 12.3.1 Description of the Fund

AUS SUSTAINABLE aims to track the performance of the Nasdaq Future Australian Sustainability Leaders Index (the 'Aus Sustainable Index'), before taking into account fees and expenses.

The Aus Sustainable Index comprises a portfolio of ASX-listed securities that have been screened to prefer companies engaged in sustainable business activities and to avoid companies materially engaged in activities deemed inconsistent with responsible investment considerations. See 12.3.5 for more detail.

Consequential to the index construction methodology, it is expected that at each annual rebalance the portfolio will achieve weighted-average carbon emissions (inclusive of scopes 1, 2 and 3) 33% less than that of the S&P/ASX 300 Index.

The minimum recommended investment timeframe is 5 years.

#### 12.3.2 Investment objective

AUS SUSTAINABLE aims to provide an investment return that tracks the performance of the Aus Sustainable Index, before taking into account fees and expenses.

#### 12.3.3 Investment strategy

The Fund will invest in the securities that make up the Aus Sustainable Index and/or invest in an ASX traded ETF that provides exposure to the Aus Sustainable Index.

Asset Class	Asset Allocation
Australasian equities	100%

Note: small cash balances (being up to a maximum of 1% of the Fund's net asset value) will be held from time to time.

Risk rating: 5 - this Fund has a high level of volatility.

Given AUS SUSTAINABLE's investment objective is to track the Aus Sustainable Index, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (noting small cash balances will be held from time to time).

#### 12.3.4 Authorised investments

AUS SUSTAINABLE may invest in:

- Securities listed on the ASX
- ETFs available on the ASX (that may include those offered by a related party to Betashares)
- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares)

#### 12.3.5 Incorporation of non-financial factors

AUS SUSTAINABLE is an integrated financial product, on the basis the Aus Sustainable Index takes into consideration non-financial factors.

The Index represents a diversified portfolio of Australian shares that seeks to exclude companies with material negative impacts on people, communities or the environment, including the avoidance of material exposure to the fossil fuel industry, and to give preference to companies engaged in sustainable activities that have been identified as "Sustainability Leaders".

The criteria for classifying companies as Sustainability Leaders has been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying targets.

While the criteria for classifying companies as Sustainability Leaders will be determined with reference to the UN SDGs, there can be no guarantee that the activities of any company will make a direct contribution to the achievement of the UN SDGs.

To be eligible for inclusion in the index at each annual evaluation, a security must meet certain eligibility criteria, including the following:

- it must be listed on the ASX;
- it must have a float adjusted market capitalisation of at least A\$200 million and a three-month median daily dollar trading value of at least A\$1 million;
- it must be identified by the Responsible Investment Committee (described below) as having passed certain eligibility screens designed to exclude companies that have direct or significant exposure to the fossil fuel industry or that are materially engaged in other activities deemed inconsistent with responsible investment considerations (as further outlined in “Screening criteria” below).

A security may also be eligible for inclusion if it has been identified by the Responsible Investment Committee as an “additional renewable energy security”, notwithstanding that the security does not meet the minimum trading volume threshold set out above, provided it otherwise meets the eligibility criteria (up to a maximum of three such securities). A company will be considered for inclusion as an “additional renewable energy security” where it derives more than 50% of its revenue from renewable energy or activities that substantially reduce greenhouse gas emissions.

#### *Screening criteria*

A fossil fuel screen is applied to the eligible universe of securities, which removes companies with:

- any direct involvement in the fossil fuel industry - companies which have fossil fuel reserves, fossil fuel infrastructure, produce petrochemicals, or are involved in the mining, extraction, or burning of fossil fuels;
- material indirect exposure - companies which provide products, services, finance or insurance which are specific to, and significant for, the fossil fuel industry; and
- high dependency – companies 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).

The universe of securities is also screened to remove companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds that are described in the Index methodology document). The business activities screened out in this process, together with the applicable materiality thresholds, are set out below:

Industry / Activity	Exposure Limit Guidelines (% of total revenue)
Fossil Fuels - direct Companies which have fossil fuel reserves, fossil fuel infrastructure, or mining, extraction, or burning of fossil fuels	0%
Fossil Fuels – service providers Companies which provide products or services which are specific to and significant for the fossil fuel industry	5% for products and services
Fossil Fuel – finance and underwriting Companies which provide lending to fossil fuel companies or otherwise provide significant financing to fossil fuel projects or infrastructure Companies that provide significant insurance or re-insurance of fossil fuel companies or projects	The largest global financiers of fossil fuel companies, projects and infrastructure, as identified in the annual Banktrack Fossil Fuel Finance report, are excluded  The largest global insurers of fossil fuel companies, projects and infrastructure, as identified in the annual Banktrack Fossil Fuel Finance report, are excluded
Fossil Fuels – high dependency Industry sectors with very high use of fossil fuels. However, 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	Materiality threshold not applicable

Gambling Casinos, manufacture or distribution of gaming products	0% for casinos, manufacture of gaming products, and poker machine operations 5% for distribution of gambling products
Tobacco Production of tobacco or the manufacture or sale of tobacco products or nicotine alternatives (including e-cigarettes, vapes and other tobacco-based products)	0% for production or manufacture 5% for sale of tobacco products
Armaments and Militarism Manufacture of armaments and weapons, or specific and significant services to military and armaments manufacture (including nuclear weapons and other controversial weapons)	0% for manufacture of armaments and weapons 5% for specific and significant services to military and armaments manufacture
Uranium and Nuclear Energy Uranium mining, nuclear energy and products and services to nuclear energy	0% for uranium mining and nuclear energy 5% for products and services related to nuclear energy
Destruction of Valuable Environments Companies which have a direct negative impact on recognized World Heritage and High Conservation areas	0%
Animal Cruelty Companies involved in live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products such as ivory, foie gras etc.	0%
Chemicals of Concern Companies which produce or use chemicals of concern recognized by UN Environmental Programs, or controversial agricultural chemicals	0%
Mandatory Detention of Asylum Seekers and for-profit prisons Companies which operate detention centres or for-profit prisons	0%
Alcohol Production or sale of alcohol	5% for production of alcohol 20% for sale of alcohol
Junk Foods Companies which produce or sell junk foods, being foods that lack nutrients, vitamins and minerals, and are high in kilojoules (energy), salts, sugars, and fats	33% for production or sale of junk foods
Pornography Companies which produce or sell pornography	0% for production of pornography 5% for distribution of pornography
Predatory lending Companies which engage in lending practices that impose unfair or abusive terms on a borrower eg "payday lending" - short-term, small amount loans with high fees	0%
Human and labour rights Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption	Materiality threshold not applicable
Board diversity No women on board of directors	Materiality threshold not applicable

In applying these screens, the percentage of a company's gross revenue derived from each activity is assessed against a specified materiality threshold (with the exception of (i) the screen for human and labour rights, which is based on evidence of rights violations, and (ii) the screen for lack of board-level gender diversity, which is based on evidence of lack of women on the company's board of directors). A company's gross revenue is generally as reported in its audited financial statements or, if disclosure is not available, a conservative estimate may be used.

A company exposed to significant ESG-related reputational risk or controversy may also be excluded where the Responsible Investment Committee considers that its inclusion would be inconsistent with the values of the index. In making such a recommendation the Responsible Investment Committee will reference international norms and standards. These may include the United Nations Guiding Principles on Business and Human Rights (UNGPs), the Ten Principles of the United Nations Global Compact and the standards for responsible business conduct set out in the OECD Guidelines for Multinational Enterprises. Specific factors include:

- Failure to respect human rights;

- Failure to respect the right to freedom of association and/or collective bargaining;
- Evidence of discrimination on grounds such as race, gender, religion, sexual orientation, or social origin;
- Failure to protect sites of significant cultural or environmental value;
- Failure to protect the right to privacy;
- Contributing (by action or inaction) to the spread of disinformation, incitement to violence, and/or the undermining of democratic institutions and the rule of law.

#### *Sustainability Leaders identification*

From the remaining eligible securities (the “screened universe”), a group of “Sustainability Leaders” is identified by the Responsible Investment Committee. To be classified as a Sustainability Leader, a company must satisfy at least one of the following criteria, which have been determined by reference to the UN SDGs.

While the criteria for classifying companies as Sustainability Leaders will be determined with reference to the UN SDGs, there can be no guarantee that the activities of any company will make a direct contribution to the achievement of the UN SDGs.

Climate Adaptation	Companies that earn 50% or more of revenue from the manufacture or sale of climate adaptation technologies, or associated research, consulting or engineering services.
Nutrition, Agriculture and Land Use	Companies that earn 50% or more of revenue from the production or sale of healthy and nutritious foods, with a particular focus on plant-based foods. Companies that earn 50% or more of revenue from activities associated with sustainable agriculture, sustainable aquaculture, reduced food waste and other activities identified by Project Drawdown as Food, Agriculture and Land Use Sector solutions. Project Drawdown® is a non-profit organisation which conducts rigorous review and assessment of climate solutions.
Improved Industrial Processes, Improved Materials and Pollution Reduction	Companies that earn 50% or more of revenue from pollution reduction technologies. Companies that derive 50% or more of revenue from wastewater treatment. Companies that earn 50% or more of revenue from activities associated with waste remediation, recycling, recycled materials, alternative refrigerants, plastic reduction, waste to energy and other activities identified by Project Drawdown as Industry Sector solutions. Companies employing circular economy strategies as critical elements in their operations.
Healthcare	Companies that earn 50% or more of revenue from hospital treatment, medical services or personal health insurance Companies that earn 50% or more of revenue from activities associated with reproductive and maternal health. Companies that earn 50% or more of revenue from activities which have a specific focus on vaccine development or the treatment of communicable diseases. Companies that earn 50% or more of revenue from activities which have a specific focus on the treatment of non-communicable diseases.
Transportation Solutions	Companies that earn 50% or more of revenue from activities associated with traffic safety systems, autonomous vehicles (excluding military applications), electric vehicles, public transit, high speed rail, energy efficient transportation solutions, telepresence and other activities identified by Project Drawdown as Transportation Sector solutions.
Education	Companies that earn 50% or more of revenue from early childhood education, vocational education, tertiary education or providing other educational services.
Water Efficiency	Companies that earn 50% or more of revenue from the manufacture or sale of water efficiency technology
Renewable Energy and Energy Efficiency	Companies that earn 50% or more of revenue from activities associated with renewable energy and energy efficiency, including building automation, building technologies, lighting solutions, energy storage, improved electrical grids and other activities identified by Project Drawdown as Electricity Sector solutions.
Green Buildings	Companies/REITS that have either: (i) a 6-Star Green Star Portfolio Performance assessment; or (ii) have been designated as Global Leaders in the annual GRESB Real Estate Benchmark Assessment.
Sustainable Tourism	Companies that earn 50% or more of revenue from sustainable tourism.
Sustainable and Regional Infrastructure	Companies that earn 50% or more of revenue from sustainable infrastructure or alternative cement. Telecom companies that provide communication infrastructure that benefits rural and regional communities.
Social and Community Housing	Companies that earn 50% or more of revenue from social and community housing.
Worker and consumer protection	Companies that earn 50% or more of revenue from legal action focussed on workers’ rights, consumer rights or otherwise protecting vulnerable people.
Regional and Community Banking	Companies with 20% or more of revenue from regional and community banking. Companies with 50% or more of revenue from the provision of microfinance

Relevant Certification	Certified B Corporations Supply Nation registered businesses Companies with a Reconciliation Action Plan (RAP) Elevate Companies with 50% or more of revenue from the sale or manufacture of Fairtrade certified products.
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Where a company’s business activities cover multiple categories, the aggregate revenue from identified activities will be taken into account in the identification of “Sustainability Leaders”.

Securities identified as “Sustainability Leaders” are given preference in the index composition process (as described further below), although not every security in the index is necessarily a Sustainability Leader.

*Responsible Investment Committee*

The Responsible Investment Committee is a body, established by Betashares AU, that is nominated in the index methodology to determine the list of index securities that pass the ESG-related screens and meet the Sustainability Leaders criteria as set out in the methodology.

The Responsible Investment Committee will monitor the portfolio on an ongoing basis and the Committee has the power to remove a security where it no longer meets the methodology requirements.

The Responsible Investment Committee comprises individuals, appointed by Betashares AU, who are advocates of, and have experience and expertise in, ethical investing. A representative of Betashares AU is a member of the Responsible Investment Committee, with a majority of members comprising other industry experts. The Responsible Investment Committee’s determinations are made by majority vote.

**12.3.6 Further information**

Further information about AUS SUSTAINABLE and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

**12.4 BETASHARES GLOBAL QUALITY LEADERS FUND (GLOBAL QUALITY)**

**12.4.1 Description of the Fund**

GLOBAL QUALITY aims to track the performance of the iSTOXX MUTB Global ex-Australia Quality Leaders 150 Index (the ‘Global Quality Index’), before taking into account fees and expenses.

The Global Quality Index is designed to track the performance of quality companies with high profitability, low leverage and sustainable cash flows, excluding companies listed in Australia. The Index components are selected based on a combined ranking of four fundamentals ratios - return on equity, debt-to-capital, cash flow generation ability and business stability.

The minimum recommended investment timeframe is 5 years.

**12.4.2 Investment objective**

GLOBAL QUALITY aims to provide an investment return that tracks the performance of the Global Quality Index, before taking into account fees and expenses.

**12.4.3 Investment strategy**

The Fund will invest in the securities that make up the Global Quality Index and/or invest in an ASX traded ETF that provides exposure to the Global Quality Index.

Asset Class	Asset Allocation
International equities	100%

Note: small cash balances (being up to a maximum of 1% of the Fund’s net asset value) will be held from time to time.

Risk rating: 5 - this Fund has a high level of volatility.

Given GLOBAL QUALITY’s investment objective is to track the Global Quality Index, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (again noting small cash balances will be held from time to time).

**12.4.4 Authorised investments**

GLOBAL QUALITY may invest in:

- The globally listed securities that comprise the Global Quality Index.
- ETFs available on the ASX (that may include those offered by a related party to Betashares)

- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares).

#### 12.4.5 Further information

Further information about GLOBAL QUALITY and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

## 12.5 BETASHARES GLOBAL SUSTAINABILITY LEADERS FUND (GLOBAL SUSTAINABLE)

### 12.5.1 Description of the Fund

GLOBAL SUSTAINABLE aims to track the performance of the Nasdaq Future Global Sustainability Leaders Index (the 'Global Sustainable Index'), before taking into account fees and expenses.

The Global Sustainable Index is designed to track the performance of a portfolio of 200 large global stocks which are climate change leaders (as measured by their relative carbon efficiency) and which are not materially engaged in activities deemed inconsistent with responsible investment considerations. See 12.5.5 for more detail.

The minimum recommended investment timeframe is 5 years.

### 12.5.2 Investment objective

GLOBAL SUSTAINABLE aims to provide an investment return that tracks the performance of the Global Sustainable Index, before taking into account fees and expenses.

### 12.5.3 Investment strategy

Either invest in the securities that make up the Global Sustainable Index or invest in an ASX traded ETF that provides exposure to the equities comprising the Global Sustainable Index.

Asset Class	Asset Allocation
International equities	100%

Note: small cash balances (being up to a maximum of 1% of the Fund's net asset value) will be held from time to time.

Risk rating: 6 - this Fund has a very high level of volatility.

Given GLOBAL SUSTAINABLE's investment objective is to track the Global Sustainable Index, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (again noting small cash balances will be held from time to time).

### 12.5.4 Authorised investments

GLOBAL SUSTAINABLE may invest in:

- The globally listed securities that comprise the Global Sustainable Index
- ETFs available on the ASX (that may include those offered by a related party to Betashares)
- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares).

### 12.5.5 Incorporation of non-financial factors

GLOBAL SUSTAINABLE is an integrated financial product, on the basis the Global Sustainable Index takes into consideration non-financial factors.

To be eligible for inclusion in the index at each annual evaluation, a security must meet certain eligibility criteria, including the following:

- it must be a member of the Nasdaq Developed Markets Index (but excludes securities listed on an

exchange in Australia);

- it must satisfy certain minimum market capitalisation and liquidity requirements; and
- it must be identified by the Responsible Investment Committee (described below) as a “Climate Leader” that has also passed certain eligibility screens designed to exclude companies with direct or significant exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations (as further outlined in “Screening criteria” below).

*Screening criteria – applicable to GLOBAL SUSTAINABLE and GLOBAL SUSTAINABLE NZD*

Climate Leaders are companies that have a carbon efficiency that places them in the top one-third of companies in their industry or are otherwise superior performers in relation to “Scope 4” carbon emissions (also known as “avoided emissions”).

- Carbon efficiency: Carbon efficiency is determined by calculating the greenhouse gas emissions from a company’s operations, fuel use and supply chain, divided by its annual revenue.
- Scope 4 (or avoided) carbon emissions: Superior performers in relation to Scope 4 carbon emissions are those companies involved in commercialising technologies that have net positive climate benefits through substantial greenhouse gas emissions reductions or sequestration. Companies in this category typically include those with primary business activities in renewable energy, energy efficiency, sustainable agriculture and land use, and carbon sequestration.

A fossil fuel screen is applied to the universe of Climate Leaders, which removes companies with any direct involvement in the fossil fuel industry (companies which have fossil fuel reserves, fossil fuel infrastructure, or are involved in the mining, extraction, or burning of fossil fuels), as well as companies with material indirect exposure (companies involved in the provision of products, services or finance which is specific to, and significant for, the fossil fuel industry; and those with particularly high use of fossil fuels - except where more than 50% of company revenue is derived from renewable energy, resource efficiency, environmental solutions or energy efficiency products and services).

The remaining universe is screened to remove companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds that are described in the actual index methodology document).

The business activities screened out in this process, together with the applicable materiality thresholds, are set out below:

Industry / Activity	Exposure Limit Guidelines (% of total revenue)
Fossil Fuels - direct Companies which have fossil fuel reserves, fossil fuel infrastructure, or are involved in the mining, extraction, or burning of fossil fuels	0%
Fossil Fuels - indirect Companies which provide products, services or finance specific to and significant for the fossil fuel industry. Companies with very high usage of fossil fuels are also excluded except where more than 50% of company revenue is derived from renewable energy, resource efficiency, environmental solutions or energy efficiency products and services	5% for products and services  The largest global financiers of fossil fuels, and financiers of significant fossil fuel infrastructure, as identified in the annual Banktrack Fossil Fuel Finance report, are excluded
Gambling Casinos, manufacture or distribution of gaming products	0% for casinos, manufacture of gaming products, and poker machine operations  5% for distribution of gambling products
Tobacco Production of tobacco or the manufacture or sale of tobacco products or nicotine alternatives (including e-cigarettes, vapes and other tobacco-based products)	0% for production or manufacture  5% for sale of tobacco products

Armaments and Militarism Manufacture of armaments and weapons, or specific and significant services to military and armaments manufacture (including nuclear weapons and other controversial weapons)	0% for manufacture of armaments and weapons 5% for specific and significant services to military and armaments manufacture
Uranium and Nuclear Energy Uranium mining, nuclear energy and products and services related to nuclear energy	0% for uranium mining and nuclear energy 5% for products and services to nuclear energy
Destruction of Valuable Environments Companies which have a direct negative impact on recognized World Heritage and High Conservation areas	0%
Animal Cruelty Companies involved in live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products such as ivory, foie gras etc.	0%
Chemicals of Concern Companies which produce or use chemicals of concern recognised by UN Environmental Programs, or controversial agricultural chemicals	0%
Mandatory Detention of Asylum Seekers and for-profit prisons Companies which operate detention centres or for-profit prisons	0%
Alcohol Production or sale of alcohol	5% for production of alcohol 20% for sale of alcohol
Junk Foods Companies which produce or sell junk foods, being foods that lack nutrients, vitamins and minerals, and are high in kilojoules (energy), salts, sugars, and fats	33% for production or sale of junk foods
Pornography Companies which produce or sell pornography	0% for production of pornography 5% for distribution of pornography
Payday lending Companies that engage in lending practices that impose unfair or abusive terms on a borrower, in the form of short-term, small amount loans with high fees	0%
Human and labour rights Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption	Materiality threshold not applicable
Board diversity No women on board of directors	Materiality threshold not applicable

In applying these screens, the percentage of a company's gross revenue derived from each activity is assessed against a specified materiality threshold (with the exception of (i) the screen for human and labour rights, which is based on evidence of rights violations, and (ii) the screen for lack of board-level gender diversity, which is based on evidence of lack of women on the company's board of directors). A company's gross revenue is generally as reported in its financial statements.

A company exposed to significant ESG-related reputational risk or controversy may also be excluded where the Responsible Investment Committee (see below) considers that its inclusion would be inconsistent with the values of the index. In making such a recommendation the Responsible Investment Committee will reference international norms and standards, including the Ten Principles of the United Nations Global Compact and the standards for responsible business conduct set out in the OECD Guidelines for Multinational Enterprises. Specific factors include:

- Failure to respect human rights;
- Failure to respect the right to freedom of association and/or collective bargaining;
- Evidence of discrimination on grounds such as race, gender, religion, sexual orientation, or social origin;
- Failure to protect sites of significant cultural or environmental value;
- Failure to protect the right to privacy;
- Contributing (by action or inaction) to the spread of disinformation, incitement to violence, and/or the undermining of democratic institutions and the rule of law.

*Responsible Investment Committee – applicable to GLOBAL SUSTAINABLE and GLOBAL SUSTAINABLE NZD*

The Responsible Investment Committee is a body, established by Betashares AU, that is nominated in the index methodology to determine the list of index securities that pass the ESG-related screens and meet the Climate Leaders criteria as set out in the methodology.

The Responsible Investment Committee will monitor the portfolio on an ongoing basis and the Committee has the power to remove a security where it no longer meets the methodology requirements.

The Responsible Investment Committee comprises individuals, appointed by Betashares AU, who are advocates of, and have experience and expertise in, ethical investing. A representative of Betashares AU is a member of the Responsible Investment Committee, with a majority of members comprising other industry experts. The Responsible Investment Committee's determinations are made by majority vote.

**12.5.6 Further information**

Further information about GLOBAL SUSTAINABLE and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

**12.6 BETASHARES GLOBAL SUSTAINABILITY LEADERS FUND (NZD Hedged) (GLOBAL SUSTAINABLE NZD)**

**12.6.1 Description of the Fund**

GLOBAL SUSTAINABLE NZD aims to track the performance of Nasdaq Future Global Sustainability Leaders Currency Hedged NZD Index (the 'Global Sustainable Index NZD'), before taking into account fees and expenses.

The Global Sustainable Index NZD is designed to track the performance of a portfolio of 200 large global stocks which are climate change leaders (as measured by their relative carbon efficiency) and which are not materially engaged in activities deemed inconsistent with responsible investment considerations, hedged to NZ dollars. See 12.5.5 for more detail.

The minimum recommended investment timeframe is 5 years.

**12.6.2 Investment objective**

GLOBAL SUSTAINABLE NZD aims to provide an investment return that tracks the performance of the Global Sustainable Index NZD, before taking into account fees and expenses.

**12.6.3 Investment strategy**

Either invest in the securities that make up the Global Sustainable Index NZD, or invest in either a fund or ASX-traded ETF that provides exposure to the equities comprising the Global Sustainable Index NZD.

Betashares will also use forward foreign exchange contracts with the aim of minimising the impact of currency fluctuations on Fund returns.

Asset Class	Asset Allocation
International equities	100%

Note: small cash balances will be held from time to time.

Risk rating: 6 - this Fund has a very high level of volatility.

Given GLOBAL SUSTAINABLE NZD's investment objective is to track the Global Sustainable Index NZD, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (again noting small cash balances will be held from time to time).

**12.6.4 Authorised investments**

GLOBAL SUSTAINABLE NZD may invest in:

- The globally listed securities that comprise the Global Sustainable Index NZD
- Funds (that may include those offered by Betashares)
- ETFs available on the ASX (that may include those offered by a related party to Betashares)
- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that

invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares)

- Forward foreign exchange contracts.

#### 12.6.5 Incorporation of non-financial factors

GLOBAL SUSTAINABLE NZD is an integrated financial product, on the basis the Global Sustainable Index NZD takes into consideration non-financial factors.

The Global Sustainable Index NZD is identical to the Global Sustainable Index (with an NZD hedge applied). Refer to 12.5.5 for information on the Global Sustainable Index.

#### 12.6.6 Further information

Further information about GLOBAL SUSTAINABLE NZD and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.

### 12.7 BETASHARES NZ SUSTAINABILITY LEADERS FUND (NZ SUSTAINABLE)

#### 12.7.1 Description of the Fund

NZ SUSTAINABLE aims to track the performance of the Solactive New Zealand Sustainable Leaders Index (the 'NZ Sustainable Index'), before taking into account fees and expenses.

The NZ Sustainable Index comprises a portfolio of NZX-listed securities and companies headquartered in NZ but listed on the ASX, which have been screened to exclude those with material negative impacts on people, communities or the environment, including the avoidance of material exposure to the fossil fuel industry, and increase allocation to companies engaged in sustainable activities that have been identified as "Sustainability Leaders". See 12.7.5 for more detail.

Consequential to the index construction methodology, it is expected that at each annual rebalance the portfolio will achieve weighted-average carbon emissions (inclusive of scopes 1, 2 and 3) 33% less than that of the S&P/NZX 50 Index.

The minimum recommended investment timeframe is 5 years.

#### 12.7.2 Investment objective

NZ SUSTAINABLE aims to provide an investment return that tracks the performance of the NZ Sustainable Index, before taking into account fees and expenses.

#### 12.7.3 Investment strategy

The Fund will invest in the securities that make up the NZ Sustainable Index.

Asset Class	Asset Allocation
Australasian equities	100%

Note: small cash balances (being up to a maximum of 1% of the Fund's net asset value) will be held from time to time.

Risk rating: 5 - this Fund has a high level of volatility.

Given NZ SUSTAINABLE's investment objective is to track the NZ Sustainable Index, it is expected the Fund will be fully invested, meaning there are no specified minimum or maximum investment limits (noting small cash balances will be held from time to time).

#### 12.7.4 Authorised investments

NZ SUSTAINABLE may invest in:

- Securities listed on the ASX and NZX
- Exchange-traded derivatives contracts
- Cash and cash equivalents issued or guaranteed by Australian or NZ entities. Cash and cash equivalents may include cash on hand, deposits held at call with banks and ASX traded ETFs that invest in cash and money market instruments (that may include ETFs offered by a related party to Betashares)

#### 12.7.5 Incorporation of non-financial factors

NZ SUSTAINABLE is an integrated financial product, on the basis the NZ Sustainable Index takes into

consideration non-financial factors.

The index seeks to exclude companies with material negative impacts on people, communities or the environment, including the avoidance of material exposure to the fossil fuel industry, and increase allocation to companies engaged in sustainable activities that have been identified as “Sustainability Leaders”. The index holds companies either listed on the NZX or companies headquartered in NZ but listed on the ASX.

The criteria for classifying companies as Sustainability Leaders has been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying targets.

While the criteria for classifying companies as Sustainability Leaders will be determined with reference to the UN SDGs, there can be no guarantee that the activities of any company will make a direct contribution to the achievement of the UN SDGs.

To be eligible for inclusion in the index at each annual evaluation, a security must meet certain eligibility criteria:

- it must be either listed on the NZX or headquartered in NZ and listed on the ASX;
- it must have a free float market capitalisation of at least \$100 million;
- it must have a minimum six-month median daily dollar trading value of at least \$100,000;
- it must be identified by the Responsible Investment Committee NZ (described below) as having passed certain eligibility screens designed to exclude companies with material negative impacts on people, communities or the environment, including the avoidance of material exposure to the fossil fuel industry (as further outlined in “Screening criteria” below).

#### *Screening criteria*

The eligible universe of securities is screened to remove companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds that are described in the [Index methodology](#) document). The business activities screened out in this process, together with the applicable materiality thresholds, are set out below:

<b>Industry / Activity</b>	<b>Maximum exposure limit/threshold (% of total revenue)</b>
Fossil Fuels – Direct Companies which have fossil fuel reserves, fossil fuel infrastructure, or are involved in the mining, extraction, or burning of fossil fuels	<ul style="list-style-type: none"> <li>• 0%</li> </ul>
Fossil Fuels – Indirect Companies which provide products, services or finance which is specific to and significant for the fossil fuel industry, except where more than 50% of company revenue is derived from renewable energy, resource efficiency, environmental solutions or energy efficiency products and services	<ul style="list-style-type: none"> <li>• 5% for products and services</li> <li>• Exclude the largest global financiers of fossil fuels and financiers of significant fossil fuel infrastructure</li> </ul>
Gambling Casinos, manufacture or distribution of gaming products	<ul style="list-style-type: none"> <li>• 0% for casinos, manufacture of gaming products, and poker machine operations</li> <li>• 5% for distribution of gambling products</li> </ul>
Tobacco Production of tobacco or the manufacture or sale of tobacco products or nicotine alternatives (including e-cigarettes, vapes and other tobacco-based products)	<ul style="list-style-type: none"> <li>• 0% for production or manufacture</li> <li>• 5% for sale of tobacco products</li> </ul>
Uranium and Nuclear Energy Uranium mining, nuclear energy and products and services to nuclear energy	<ul style="list-style-type: none"> <li>• 0% for uranium mining and nuclear energy</li> <li>• 5% for products and services to nuclear energy</li> </ul>
Armaments and Militarism Manufacture of armaments and weapons, or specific and significant services to military and armaments manufacture (including nuclear weapons and other controversial weapons)	<ul style="list-style-type: none"> <li>• 0% for manufacture of armaments and weapons</li> <li>• 5% for specific and significant services to military and armaments manufacture</li> </ul>
Destruction of Valuable Environments Activities which have direct negative impact on recognised World Heritage and High Conservation areas	<ul style="list-style-type: none"> <li>• 0%</li> </ul>
Animal Cruelty	<ul style="list-style-type: none"> <li>• 0%</li> </ul>

Exposure to live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products (ivory, foie gras etc.)	
Chemicals of Concern Production or use of chemicals of concern recognised by UN Environmental Program, Producers of contentious agricultural chemicals	<ul style="list-style-type: none"> <li>• 0%</li> </ul>
Alcohol Production or sale of alcohol	<ul style="list-style-type: none"> <li>• 5% for production</li> <li>• 20% for sale of alcohol</li> </ul>
Junk Foods Production or sale of junk foods	<ul style="list-style-type: none"> <li>• 33%</li> </ul>
Pornography Companies which produce or sell pornography	<ul style="list-style-type: none"> <li>• 0% for production of pornography</li> <li>• 5% for distribution of pornography</li> </ul>
Human and Labour Rights Evidence of human rights violations including child labour, forced labour, sweatshops, bribery, and corruption	n/a
Board Diversity No women on board of directors	n/a
Payday Lending Lending practices that impose unfair or abusive terms on a borrower	<ul style="list-style-type: none"> <li>• 0%</li> </ul>

In applying these screens, the percentage of a company's gross revenue derived from each activity is assessed against a specified materiality threshold (with the exception of (i) the screen for human and labour rights, which is based on evidence of rights violations, and (ii) the screen for lack of board-level gender diversity, which is based on evidence of lack of women on the company's board of directors). A company's gross revenue is generally as reported in its audited financial statements or, if disclosure is not available, a conservative estimate may be used.

A company exposed to significant ESG-related reputational risk or controversy may also be excluded where the Responsible Investment Committee NZ considers that its inclusion would be inconsistent with the values of the index. In making such a recommendation the Responsible Investment Committee will reference international norms and standards. These may include the United Nations Guiding Principles on Business and Human Rights (UNGPs), the Ten Principles of the United Nations Global Compact and the standards for responsible business conduct set out in the OECD Guidelines for Multinational Enterprises. Specific factors include:

- Failure to respect human rights;
- Failure to respect the right to freedom of association and/or collective bargaining;
- Evidence of discrimination on grounds such as race, gender, religion, sexual orientation, or social origin;
- Failure to protect sites of significant cultural or environmental value;
- Failure to protect the right to privacy;
- Contributing (by action or inaction) to the spread of disinformation, incitement to violence, and/or the undermining of democratic institutions and the rule of law.

#### *Sustainability Leaders identification*

From the remaining eligible securities (the "screened universe"), a group of "Sustainability Leaders" is identified by the Responsible Investment Committee NZ. To be classified as a Sustainability Leader, a company must satisfy at least one of the following criteria, which have been determined with reference to the UN SDGs. If a company's business activities cover multiple categories, the aggregate revenue from identified activities will be considered in the identification of Sustainability Leaders. Securities identified as "Sustainability Leaders" are given preference in the Index composition, although not every security in the index is necessarily a Sustainability Leader.

Sustainability Leader Criteria	Explanatory notes
Climate adaptation	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from the manufacture or sale of climate adaptation technologies, or associated research, consulting or engineering services</li> </ul>
Nutrition, agriculture and land use	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from the production or sale of healthy and nutritious foods, with a particular focus on plant-based foods</li> <li>Companies that earn 50% or more of revenue from activities associated with sustainable agriculture, sustainable aquaculture, reduced food waste and other activities identified by Project Drawdown®, a non-profit organisation which conducts rigorous review and assessment of climate solutions, as Food, Agriculture and Land Use Sector solutions</li> </ul>
Improved industrial processes, improved materials and pollution reduction	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from pollution reduction technologies</li> <li>Companies that earn 50% or more of revenue from wastewater treatment</li> <li>Companies that earn 50% or more of revenue from activities associated with waste remediation, recycling, recycled materials, alternative refrigerants, plastic reduction, waste to energy and other activities identified by Project Drawdown® as Industry Sector solutions</li> <li>Companies employing circular economy strategies as critical elements in their operations</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from hospital treatment, medical services or personal health insurance</li> <li>Companies that earn 50% or more of revenue from activities associated with reproductive and maternal health</li> <li>Companies that earn 50% or more of revenue from activities which have a specific focus on vaccine development or the treatment of communicable diseases</li> <li>Companies that earn 50% or more of revenue from activities which have a specific focus on the treatment of non-communicable diseases</li> </ul>
Transportation solutions	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from activities associated with traffic safety systems, autonomous vehicles (excluding military applications), electric vehicles, public transit, high speed rail, energy efficient transportation solutions, telepresence and other activities identified by Project Drawdown® as Transportation Sector solutions</li> </ul>
Education	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from early childhood education, vocational education, tertiary education or providing other educational services</li> </ul>
Water efficiency	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from the manufacture or sale of water efficiency technology</li> </ul>
Renewable energy and energy efficiency	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from activities associated with renewable energy and energy efficiency, including building automation, building technologies, lighting solutions, energy storage, improved electrical grids and other activities identified by Project Drawdown® as Electricity Sector solutions</li> </ul>
Green buildings	<ul style="list-style-type: none"> <li>Companies/REITS that have either: (i) a 6-Star Green Star Portfolio Performance assessment; or (ii) have been designated as Global Leaders in the annual GRESB Real Estate Benchmark Assessment</li> </ul>
Sustainable tourism	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from sustainable tourism</li> </ul>
Sustainable and regional infrastructure	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from sustainable infrastructure or alternative cement</li> <li>Telecom companies that provide communication infrastructure that benefits rural and regional communities</li> </ul>
Social and community housing	<ul style="list-style-type: none"> <li>Companies that earn 50% or more of revenue from social and community housing</li> </ul>

Worker and consumer protection	<ul style="list-style-type: none"> <li>• Companies that earn 50% or more of revenue from legal activities focussed on workers' rights, consumer rights or otherwise protecting vulnerable people</li> </ul>
Regional and community banking	<ul style="list-style-type: none"> <li>• Companies with 20% or more of revenue from regional and community banking</li> <li>• Companies with 50% or more of revenue from the provision of microfinance</li> </ul>
Relevant certification	<ul style="list-style-type: none"> <li>• Certified B Corporations</li> <li>• Companies with 50% or more of revenue from the sale or manufacture of Fairtrade certified products</li> </ul>

### *Responsible Investment Committee NZ*

The Responsible Investment Committee NZ is a body that is nominated in the index methodology to determine the list of index securities that pass the ESG-related screens and meet the Sustainability Leaders criteria as set out in the methodology.

The Responsible Investment Committee NZ will monitor the portfolio on an ongoing basis and the Committee has the power to remove a security where it no longer meets the methodology requirements. It also provides oversight on engagement activity arising from screening and investment processes.

The Responsible Investment Committee NZ comprises individuals, appointed by Betashares, who are advocates of, and have experience and expertise in, ethical investing. It consists of two members of Betashares' internal Responsible Investments team and one delegate from the Betashares Portfolio Management team.

The Responsible Investment Committee NZ's determinations are made by majority vote.

#### 12.7.6 Further information

Further information about NZ SUSTAINABLE and its Index is available at [www.betashares.co.nz](http://www.betashares.co.nz), which summarises the information provided in this document.