

# HESTA – Sustainable Growth Option

Ethical Survey, as voted by members of the Ethical Advisers Co-Op on 15 February 2023



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: [www.ethicaladviserscoop.org/find-an-adviser.html](http://www.ethicaladviserscoop.org/find-an-adviser.html)

## Fund Overview

This investment option seeks to avoid exposure to particular activities and tilt investment towards companies and assets whose activities are thematically aligned with the UN Sustainable Development Goals (SDGs). Invests in shares, debt, and property, with some private equity, alternatives, infrastructure, and cash investments.

## Ethical Concerns

### Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
  - Mining and Mining Related Companies: Fortescue Metals Group, Northern Star Resources, Newcrest Mining, Evolution Mining, Oz Minerals, Iluka Resources, Champion Iron, Orica, Sandfire Resources, Perseus Mining, Nickel Industries, Deterra Royalties, Chalice Mining, Gold Road Resources, St Barbara, Ramelius Resources, Regis Resources, Silver Lake Resources, De Grey Mining (Mining and Mining Related Holdings make up ~2% of total portfolio)
  - Animal Testing & Genetic Variation / Sequencing: Estee Lauder Cos, 10X Genomics Inc, Illumina Inc
  - Labour Issues: Amazon.com Inc, Adidas AG, Alibaba Group Holdings
    - ANTA Sports Products: Alleged use of Uyghur forced labour within its supply chain and very little disclosures about its practices and commitments to tackling labour rights issues. It was ranked 35/37 in the 2021 [KnowTheChain](#) report where it achieved a score of 5/100
  - Alcohol Distribution: Woolworths Group, Coles Group, Metcash
  - Fossil Fuel and Carbon intensive activities: QANTAS Airways, Auckland International Airport, Boral, BlueScope Steel
  - Indirect Exposure to Sports Gambling through holding of EML Payments Ltd
  - Other holdings with ethical concerns: big four banks

### Other concerns

- ✘ Materiality/exposure limits on negative screens can potentially result/results in unwanted exposures within the portfolio.
- ✘ Exclusions appear relatively weak given current wording. As such numerous mining and carbon intensive companies are invested in.
- ✘ HESTA do not specialise in ethical investments.

## Good Points

- ✓ The fund claims to preference sustainability leaders, selecting companies from several positive industries including renewables.
  - Noteworthy inclusions are Henry Schein Inc, Vestas Wind Systems, Cochlear Ltd, Sun Run Inc, First Solar Inc,
- ✓ Provides an [Investment Choices Document](#) detailing the ethical screening process.
- ✓ Good Commitment to transparency by being [UNPRI](#) ([LINK](#)) signatory and [RIAA](#) ([LINK](#)) certified.
- ✓ Good transparency of holdings and voting history, both accessed via the public website, see links overleaf.

## Fund Overview

<b>UNPRI Signatory</b>	Yes ( <a href="#">LINK</a> )		
<b>Full Holdings Disclosure</b>	Yes ( <a href="#">LINK</a> ) – Scroll down page to ‘See all Sustainable Growth Holdings’		
<b>RIAA Certification</b>	Yes ( <a href="#">LINK</a> )		
<b>Disclosure of Voting</b>	Yes ( <a href="#">LINK</a> )		
<b>Ethical Screening Process</b>	Refer Responsible Investment Policy ( <a href="#">LINK</a> –Under “Our Investment Approach”) & Investment Choices Document ( <a href="#">LINK</a> – Under “Investment Exclusions”)		
<b>Exclusions</b>	<ul style="list-style-type: none"> <li>× Fossil Fuels</li> <li>× Tobacco</li> <li>× For-Profit Detention</li> <li>× Controversial Weapons</li> <li>× Nuclear Weapons</li> <li>× Uranium</li> <li>× Conventional Weapons</li> <li>× Human and Labour Rights concerns</li> <li>× Issues relating to environmental breaches</li> <li>× Poor ESG Policies</li> <li>× Poor Financial Practices</li> <li>× Uncertified Palm Oil</li> <li>× Gambling</li> <li>× Live Animal Exports</li> <li>× Poor Sovereign ESG Rating</li> </ul>		
<b>Materiality/Exposure Limits</b>	<b>Exclusion</b>	<b>Portfolio-Wide Exclusion</b>	<b>Further Exclusions to Applicable to Sustainable Growth Option</b>
	Fossil Fuel	<ul style="list-style-type: none"> <li>• Any listed company that derives 15% or more revenue from the mining of thermal coal.</li> <li>• Any unlisted company that derives 15% or more revenue from mining or transportation of thermal coal.</li> <li>• Any company that derives both 75% or more revenue from the extraction, production, and refining of unconventional oil* and gas, and 75% or more of its reserves from unconventional oil and gas.</li> </ul> <p>*Unconventional oil and gas include tar sands, shale oil and gas and coal seam gas.</p>	<p>Any company that:</p> <ul style="list-style-type: none"> <li>• derives any revenue from the mining or exploration of thermal coal or the extraction, production, refining of conventional and unconventional oil and gas, or has any total volume proved and probable reserves of thermal coal and metallurgical coal; or has any total volume of proved reserves of oil and gas.</li> <li>• derives 15% or more revenue from the generation of electricity from fossil fuels or transportation, distribution or retailing of conventional and unconventional oil and gas; or;</li> <li>• derives 15% or more revenue from equipment and services for the exploration and production of conventional and unconventional oil and gas; or;</li> <li>• derives 50% or more revenue from indirect services to the fossil fuel sector. For example, the provision of specific materials, contracted services and transportation.</li> </ul>
	Tobacco	Any company that produces or manufactures tobacco and tobacco related products.	<p>Any company that:</p> <ul style="list-style-type: none"> <li>• produces or manufactures tobacco and tobacco related products; or</li> <li>• that derives 15% or more revenue from the manufacture or supply of key products necessary for the production or manufacture of tobacco products, or the wholesale or retail of tobacco or tobacco products.</li> </ul>

	For-Profit Detention	Any company that provides the services of asylum seeker detention centres.	Any company that provides the services of asylum seeker detention centres or for-profit prisons, e.g. correctional facilities.
	Controversial Weapons	Any company that manufactures whole weapon systems or components developed for exclusive use in cluster munitions, anti-personnel mines, biological or chemical weapons.	Any company that manufactures whole weapon systems or components developed for exclusive use in cluster munitions, anti-personnel mines, biological or chemical weapons.
	Nuclear Weapons	Any company that derives 5% or more revenue from the manufacture of whole weapon systems or components developed for exclusive use in nuclear weapons.	Any company that manufactures whole weapon systems or components developed for exclusive use in nuclear weapons.
	Uranium		Any company that owns or operates active uranium mines.
	Weapons		Any company that derives 5% or more revenue from military weapons production, civilian firearm production or retailing.
	Human and Labour Rights Concerns		Any listed company identified by our data provider as having a "red flag" related to human rights or labour rights breaches. Breaches may relate to: <b>Human rights</b> <ul style="list-style-type: none"> <li>• support for controversial regimes</li> <li>• freedom of expression and censorship</li> <li>• other human rights abuses and adverse impact on a community.</li> </ul> <b>Labour rights</b> <ul style="list-style-type: none"> <li>• labour management</li> <li>• employee health and safety</li> <li>• collective bargaining and unions</li> <li>• discrimination and workforce diversity</li> <li>• supply chain employee relations standards.</li> </ul>
	Issues Relating to Environmental Breaches		Any listed company identified by our data provider as having a "red flag" related to environmental breaches. Breaches may relate to: <ul style="list-style-type: none"> <li>• land use and biodiversity</li> <li>• toxic spills and releases</li> <li>• energy and climate change</li> <li>• water management</li> <li>• operational non-hazardous waste</li> <li>• environmental impact of products and services</li> <li>• supply chain environmental impacts.</li> </ul>
	Poor ESG Policies		Any listed company that scores a 'CCC' ESG rating. HESTA's data provider ranks Companies from AAA (best) to CCC (worst). Ratings are determined by how well a company manages material ESG risks compared with sector peers.
	Poor Financial Practices		Any listed company that receives a corporate behaviour score of less than 1 in addition to any severe or very severe business ethics controversies. The Corporate Behaviour Theme Score evaluates the extent to which companies face ethics issues such as fraud, executive misconduct, corruption scandals, money laundering, anti-trust violations, or tax-related controversies.
	Uncertified Palm Oil		Any company that derives 10% or more revenue from the production and/or distribution of palm oil and has less than 50% Roundtable of Sustainable Palm Oil (RSPO) certified oil.  The RSPO certification requires companies to adhere to a strict set of principles and criteria for sustainable palm oil production.

	Gambling		Any company that derives 5% or more revenue from the operation, licensing, and provision of key products or services fundamental to gambling operations.
	Live Animal Exports		Any company that derives 10% or more revenue from the export of animals for the purpose of selling live animals for slaughter, husbandry or breeding subjects, including specialised transportation services.
	Poor Sovereign ESG Rating		Any country that scores a 'CCC' ESG rating. HESTA's data provider scores and ranks countries from AAA (best) to CCC (worst).  Ratings are determined by how well a country manages underlying factors across ESG issues. This exclusion also captures sub-national local authorities (such as states and provinces) who are exposed to similar ESG risks as countries.

## About the 'Ethical Survey'

---

### About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

### How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

### Further Research

#### *Does your fund walk the talk?*

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

#### *Is your fund investing in fossil fuels?*

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

#### *If the fund is certified by the Responsible Investment Association Australasia (RIAA)*

You can find more ethical and investment information for certified funds [here](#).

#### *More information on this fund*

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

*Vote based on information last updated 15 February 2023*