

Vanguard Ethically Conscious International Shares Index ETF (VESG)

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



Disappointing

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

Fund Overview

This is a passively managed global equities ETF. The ETF follows a negative screening methodology, which excludes the securities of companies that have a specified level of business involvement in non-renewable energy (fossil fuels & nuclear), Vice products (adult entertainment, alcohol, gambling, tobacco) and Weapons. There is also conduct related screening for controversies based on the UN Global Compact Principles. The Fund is based on the FTSE Global Choice Developed ex Australia index.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Sumitomo Mitsui Financial Group, Bank of America, HSBC, Deutsche Bank – financiers of fossil fuel industry
 - Atmos Group – gas distribution
 - Alphabet, Meta platforms – privacy concerns
 - McDonald's Corp, Nestle SA
 - Activision Blizzard, Tesla - Human Rights, mistreatment of workers
 - Gilead Sciences – animal welfare
- ✘ While the underlying Index excludes companies with significant business activities involving fossil fuels, alcohol, tobacco, gambling, military weapons and civilian firearms, nuclear power and adult entertainment, and controversies, these screens do not exclude the holdings listed. The holdings number over 1500 so keeping track of exposures is difficult.

Other concerns

- ✘ Materiality/exposure limits on negative screens can potentially result/results in unwanted exposures within the portfolio.
- ✘ Vanguard do not specialise in ethical investments.

Good Points

- ✓ The ETF seeks to exclude companies involved in fossil fuels, nuclear power, adult entertainment, alcohol, gambling, tobacco, controversial weapons (e.g. cluster munitions), conventional military weapons and civilian firearms.
- ✓ The underlying FTSE Index provides a [Screening Definition](#) document that outlines the screens fairly clearly. In January 2022 there was further [clarification](#) about the Primary and Secondary revenue thresholds for different screens. These are included overleaf.
- ✓ Commitment to transparency by being UNPRI signatory and [RIAA](#) certified – links over the page.
- ✓ Good transparency of holdings and voting history, both accessible via public websites
- ✓ The Fund's carbon emissions are lower than the parent index (FTSE developed Ex Australia Index) 32.54 tons per \$1m USD vs 99.72 tons (as of Sept 2022).

UNPRI Signatory	Yes - https://www.unpri.org/signatory-directory/the-vanguard-group-inc/1865.article																		
Full Holdings Disclosure	Yes - https://www.vanguard.com.au/adviser/products/en/detail/etf/8225/equity																		
RIAA Certification	Yes - https://www.responsiblereturns.com.au/investment-options/vanguard-ethically-conscious-international-shares-index-etf-vesg/profile																		
Disclosure of Voting	Yes - https://www.vanguard.com.au/adviser/en/investment-stewardship/how-our-funds-voted-tab																		
Ethical Screening Process	Refer below																		
Exclusions	<p>Climate change screens</p> <ul style="list-style-type: none"> × Coal Production × Coal-fired power generation × Oil and gas (conventional/ unconventional) <p>Ethical screens</p> <ul style="list-style-type: none"> × Tobacco/Cannabis × Gambling × Alcohol × Adult Entertainment × Nuclear power & uranium mining × Civilian firearms × Conventional & Controversial Weapons × Corporate controversies (via Sustainalytics) 																		
Materiality/Exposure Limits	<p>Exclusions vary in their level of restrictiveness across the different categories of exclusion, as shown in the table below. Primary involvement is manufacturing or producing, secondary is distribution of or services provided to the relevant product/service.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Categories</th> <th colspan="2">Revenue threshold</th> </tr> <tr> <th>Primary involvement</th> <th>Secondary involvement</th> </tr> </thead> <tbody> <tr> <td>Least restrictive</td> <td>Adult Entertainment, Alcohol and Gambling</td> <td>5%</td> <td>10%</td> </tr> <tr> <td>Moderately restrictive</td> <td>Tobacco/Cannabis and Conventional (Military) Weapons</td> <td>0%</td> <td>5%</td> </tr> <tr> <td>Most restrictive</td> <td>Controversial Weapons, Civilian Firearms, Nuclear Power and Fossil Fuels</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table> <p>Note that for companies that own proved or probably reserves in coal, oil or gas, there is a greater than 50% ownership exclusion. The above 'most restrictive' 0% tolerance only relates to generation of power from those sources.</p>		Categories	Revenue threshold		Primary involvement	Secondary involvement	Least restrictive	Adult Entertainment, Alcohol and Gambling	5%	10%	Moderately restrictive	Tobacco/Cannabis and Conventional (Military) Weapons	0%	5%	Most restrictive	Controversial Weapons, Civilian Firearms, Nuclear Power and Fossil Fuels	0%	0%
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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 November 2023