

19 August 2022

Market Announcements Office
ASX Limited

Revisions to FAIR’s Index Methodology & Supplementary PDS

BetaShares Capital Ltd, the issuer of the BetaShares Australian Sustainability Leaders ETF (ASX: FAIR), an exchange traded fund quoted on the AQUA market of the ASX (**Fund**), announces that certain revisions will be made to the Fund’s underlying index methodology effective on 19 September 2022 (the **Effective Date**).

The Fund aims to track the Nasdaq Future Australian Sustainability Leaders Index (before fees and expenses) (**Index**). The Index comprises a portfolio of ASX-listed securities that have been screened to preference companies engaged in sustainable business activities (“Sustainability Leaders”) and to avoid companies materially engaged in activities deemed inconsistent with responsible investment considerations.

The revisions to the Index’s methodology seek to enhance the criteria companies are required to meet to be included as constituents of the Index. The primary revision to the Index’s methodology is to the criteria for classifying companies as Sustainability Leaders. In particular, companies will be classified as Sustainability Leaders if they engage in activities that are aligned to the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs have become a widely accepted framework for defining sustainable activities.

The revisions also expand the scope of certain of the Index’s ethical negative screens applied to exclude companies materially engaged in activities deemed inconsistent with responsible investment considerations, and update the minimum market capitalisation and liquidity criteria for Index constituents.

These revisions will result in certain changes to the Fund’s Product Disclosure Statement effective on the Effective Date, which are described in the attached Supplementary PDS.

Summary of revisions

A summary of the revisions being made to the Fund’s index methodology on the Effective Date is set out below.

	Current index methodology	Revisions to index methodology (effective on 19 September 2022)
Criteria for determining companies that are Sustainability Leaders (these companies are given preference in the composition of the Index)	<p>To be classified as a Sustainability Leader, a company must satisfy at least one of the following criteria:</p> <ul style="list-style-type: none"> • More than 20% revenue derived from one or more of the following: renewable energy; energy efficiency; water efficiency; recycling, waste remediation and re-use of materials; public transport and energy efficient transport; education; healthcare; animal health; healthy foods and nutrition products; green star rated buildings; community and regional banking; health insurance and personal insurance; social services and social infrastructure (e.g. employment services, child care); sustainability certified products and services (e.g. Fairtrade, certified organic); sustainable forestry; access to knowledge and information; access to communications; 	<p>To be classified as a Sustainability Leader, a company must satisfy at least one of a number of criteria, which have been determined by reference to the UN SDGs.</p> <p>The criteria, which are set out in full in the attached Supplementary PDS, generally require a company to earn 50% or more of gross revenue from activities in at least one of the following categories:</p> <ul style="list-style-type: none"> • Climate Adaptation; • Nutrition, Agriculture and Land Use; • Improved Industrial Processes, Improved Materials and Pollution Reduction; • Healthcare; • Transportation Solutions; • Education; • Water Efficiency; • Renewable Energy and Energy Efficiency;

	<ul style="list-style-type: none"> Recipient of either an “A” or “B” grade (or equivalent) rating from a trusted ethical consumer report; Certified B Corporation (this is a private certification issued to for-profit companies by B Lab, a global non-profit organisation, which is available to companies that meet specified governance, transparency, environmental and social impact standards). 	<ul style="list-style-type: none"> Green Buildings; Sustainable Tourism; Sustainable and Regional Infrastructure; Social and Community Housing; Worker and Consumer Protection; Regional and Community Banking, or to have a Relevant Certification.
Eligibility criteria – minimum market capitalisation	A company must have a float adjusted market capitalisation of at least US\$100 million.	A company must have a float adjusted market capitalisation of at least A\$200 million.
Eligibility criteria – minimum liquidity	A company must have a three-month average daily dollar trading volume of at least US\$750,000.	A company must have a three-month median daily dollar trading value of at least A\$1 million.
Ethical negative screen	Mandatory detention of asylum seekers.	Mandatory detention of asylum seekers and for-profit prisons.
Ethical negative screen	Armaments.	Armaments and militarism (manufacture of armaments, or specific and significant services to military and armaments manufacture).
Ethical negative screen	Human rights and supply chain concerns.	Human and labour rights (human rights violations including child labour, forced labour, sweatshops, bribery and corruption).
Ethical negative screen	Payday lending	Predatory lending (lending practices that impose unfair or abusive terms on a borrower).

Supplementary PDS

A Supplementary Product Disclosure Statement updating the Fund’s PDS dated 13 November 2017 has been issued reflecting these revisions and is attached. It is also available at the Fund’s product page at www.betashares.com.au.

Effective date of changes

The changes will take effect on 19 September 2022.

Next steps

Investors who wish to remain invested in the Fund are not required to take any action. Investors who wish to transact in their units can do so in the normal way, via their broker or adviser.

As the information in this letter does not take into account the personal circumstances of any particular investor, investors should consider consulting their financial adviser regarding this information.

Contact

For any inquiries regarding this announcement, please contact BetaShares Client Services on 1300 487 577, via email info@betashares.com.au or visit <https://www.betashares.com.au/contact/>.

IMPORTANT INFORMATION: This information has been prepared by BetaShares Capital Ltd (ABN 78 139 566 868 AFSL 341181) (**BetaShares**), the issuer of the Fund. It is general information only and does not take into account any person’s objectives, financial situation or needs. The information does not constitute an offer or recommendation to make any investment decision. You should read the relevant Product Disclosure Statement (**PDS**) and ASX announcements and seek professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding any BetaShares fund. For a copy of the PDS, Target Market Determination (**TMD**) and more information about BetaShares funds go to www.betashares.com.au or call 1300 487 577.

Units in the Fund trade on the ASX at market prices, not at net asset value. An investment in the Fund is subject to investment risk including possible delays in repayment and loss of income and principal invested. Neither BetaShares Capital Ltd nor BetaShares Holdings Pty Ltd

guarantees the performance of the Fund or the repayment of capital or any particular rate of return. Past performance is not an indication of future performance. BetaShares® is a registered trademark of BetaShares Holdings Pty Ltd.

NASDAQ® and Nasdaq Future Australian Sustainability Leaders Index™, are registered trademarks of Nasdaq, Inc. (which with its affiliates is referred to as the “**Corporations**”) and are licensed for use by BetaShares. The Fund has not been passed on by the Corporations as to its legality or suitability. The Fund is not issued, endorsed, sold, or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE FUND.

BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF

ARSN: 608 057 996 | ASX CODE: FAIR

SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

DATED: 19 AUGUST 2022
ISSUER: BETASHARES CAPITAL LTD
ABN: 78 139 566 868
AFS LICENCE: 341181

This Supplementary Product Disclosure Statement (“**SPDS**”) is supplemental to the Product Disclosure Statement dated 13 November 2017 in respect of BetaShares Australian Sustainability Leaders ETF (the “**PDS**”).

The PDS and this SPDS should be read together.

A copy of this SPDS has been lodged with the Australian Securities and Investments Commission (“**ASIC**”) on 19 August 2022. Neither ASIC nor ASX Limited takes any responsibility for the contents of this SPDS.

Terms defined in the PDS have the same meanings when used in this SPDS.

Revisions to BetaShares Australian Sustainability Leaders ETF’s index methodology effective on 19 September 2022

The BetaShares Australian Sustainability Leaders ETF’s investment objective is to track the performance of the the Nasdaq Future Australian Sustainability Leaders Index (the **Index**), before taking into account fees and expenses.

The Index comprises a portfolio of ASX-listed securities that have been screened to preference companies engaged in sustainable business activities (“Sustainability Leaders”) and to avoid companies materially engaged in activities deemed inconsistent with responsible investment considerations.

The Responsible Entity gives notice that certain revisions will be made to the Index’s methodology effective on 19 September 2022 (the **Effective Date**). This will result in certain changes to the PDS effective on the Effective Date, which are described in this SPDS.

The revisions to the Index’s methodology seek to enhance the criteria companies are required to meet to be included as constituents of the Index. The primary revision to the Index’s methodology is to the criteria for classifying companies as Sustainability Leaders. In particular, companies will be classified as Sustainability Leaders if they engage in activities that are aligned to the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs have become a widely accepted framework for defining sustainable activities.

The revisions are summarised below.

	Current index methodology	Revisions to index methodology (effective on 19 September 2022)
Criteria for determining companies that are Sustainability Leaders (these companies are given preference in the composition of the Index)	<p>To be classified as a Sustainability Leader, a company must satisfy at least one of the following criteria:</p> <ul style="list-style-type: none">• More than 20% revenue derived from one or more of the following: renewable energy; energy efficiency; water efficiency; recycling, waste remediation and re-use of materials; public transport and energy efficient transport; education; healthcare; animal health; healthy foods and nutrition products; green star rated buildings; community and regional banking; health insurance and personal insurance; social services and social infrastructure (e.g. employment services, child care); sustainability certified products and	<p>To be classified as a Sustainability Leader, a company must satisfy at least one of a number of criteria, which have been determined by reference to the United Nations Sustainable Development Goals.</p> <p>The criteria, which are set out in full in this SPDS, generally require a company to earn 50% or more of gross revenue from activities in at least one of the following categories:</p> <ul style="list-style-type: none">• Climate Adaptation;• Nutrition, Agriculture and Land Use;• Improved Industrial Processes, Improved Materials and Pollution Reduction;• Healthcare;

	<p>services (e.g. Fairtrade, certified organic); sustainable forestry; access to knowledge and information; access to communications;</p> <ul style="list-style-type: none"> • Recipient of either an “A” or “B” grade (or equivalent) rating from a trusted ethical consumer report; • Certified B Corporation (this is a private certification issued to for-profit companies by B Lab, a global non-profit organisation, which is available to companies that meet specified governance, transparency, environmental and social impact standards). 	<ul style="list-style-type: none"> • Transportation Solutions; • Education; • Water Efficiency; • Renewable Energy and Energy Efficiency; • Green Buildings; • Sustainable Tourism; • Sustainable and Regional Infrastructure; • Social and Community Housing; • Worker and Consumer Protection; • Regional and Community Banking, <p>or to have a Relevant Certification.</p>
Eligibility criteria – minimum market capitalisation	A company must have a float adjusted market capitalisation of at least US\$100 million.	A company must have a float adjusted market capitalisation of at least A\$200 million.
Eligibility criteria – minimum liquidity	A company must have a three-month average daily dollar trading volume of at least US\$750,000.	A company must have a three-month median daily dollar trading value of at least A\$1 million.
Ethical negative screen	Mandatory detention of asylum seekers.	Mandatory detention of asylum seekers and for-profit prisons.
Ethical negative screen	Armaments.	Armaments and militarism (manufacture of armaments, or specific and significant services to military and armaments manufacture).
Ethical negative screen	Human rights and supply chain concerns.	Human and labour rights (human rights violations including child labour, forced labour, sweatshops, bribery and corruption).
Ethical negative screen	Payday lending	Predatory lending (lending practices that impose unfair or abusive terms on a borrower).

With effect on 19 September 2022, the amendments to the PDS pursuant to this SPDS are as follows:

1. In section 1.1 titled “About the Fund”, the wording below the title is deleted and replaced with the following:

The investment objective of the Fund is to provide an investment return that aims to track the performance of the Nasdaq Future Australian Sustainability Leaders Index (the “Index”), before taking into account fees and expenses.

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 have been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying targets.

There is no assurance or guarantee that the returns of the Fund will meet its investment objective.

2. In section 2.1.1 titled “Investment objective”, the wording below the title is deleted and replaced with the following:

The investment objective of the Fund is to provide an investment return that aims to track the performance of the Nasdaq Future Australian Sustainability Leaders Index (the “Index”), before taking into account fees and expenses.

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.

There is no assurance or guarantee that the returns of the Fund will meet its investment objective.

3. In section 2.1.3 titled “About the Index” the wording below the title is deleted and replaced with the following:

The index sponsor is Nasdaq, Inc (“Nasdaq”).

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 (see below) established by the Responsible Entity 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), companies with very high use of fossil fuels¹, companies which provide products or services which are specific to, and significant for, the fossil fuel industry (subject to a materiality threshold), and companies which provide significant financing or insurance to the fossil fuel industry.

The universe is also screened to remove companies which are exposed to other activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds). The business activities screened out in this process are:

- Gambling (casinos, manufacture or distribution of gaming products);
- Tobacco (production of tobacco or sale of tobacco products);
- Armaments and militarism (manufacture of armaments, or specific and significant services to military and armaments manufacture);
- Uranium and nuclear energy (uranium mining, nuclear energy and products and services to nuclear energy);
- Destruction of valuable environments (direct negative impact on recognized World Heritage and High Value Conservation areas);
- Animal cruelty (live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products such as ivory, foie gras);
- Chemicals of concern (production or use of chemicals of concern recognized by UN Environmental Programs, or controversial agricultural chemicals);
- Mandatory detention of asylum seekers and for-profit prisons (operation);
- Alcohol (production or sale);
- Junk foods (production or sale);
- Pornography (production or sale);
- Human and labour rights (human rights violations including child labour, forced labour, sweatshops, bribery and corruption);
- Lack of gender diversity at the board level (no women on board); and
- Predatory lending (lending practices that impose unfair or abusive terms on a borrower).

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. The Responsible Investment Committee may reference the United Nations Guiding Principles on Business and Human Rights (UNGPs) in its considerations.

¹ Mining companies engaged in the extraction of critical minerals and companies with demonstrated use of sustainable business practices are exempt from this exclusion.

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:

<p>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.</p>
<p>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 Drawdown¹ as Food, Agriculture and Land Use Sector solutions.</p>
<p>Improved Industrial Processes, Improved Materials and Pollution Reduction Companies that earn:</p> <ul style="list-style-type: none"> • 50% or more of revenue from pollution reduction technologies. • 50% or more of revenue from wastewater treatment. • 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. <p>Companies employing circular economy strategies as critical elements in their operations.</p>
<p>Healthcare Companies that earn:</p> <ul style="list-style-type: none"> • 50% or more of revenue from hospital treatment, medical services or personal health insurance • 50% or more of revenue from activities associated with reproductive and maternal health. • 50% or more of revenue from activities which have a specific focus on vaccine development or the treatment of communicable diseases. • 50% or more of revenue from activities which have a specific focus on the treatment of non-communicable diseases.
<p>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.</p>
<p>Education Companies that earn 50% or more of revenue from early childhood education, vocational education, tertiary education or providing other educational services.</p>
<p>Water Efficiency Companies that earn 50% or more of revenue from the manufacture or sale of water efficiency technology or that have a 5-star or higher NABERS² water rating.</p>
<p>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.</p>
<p>Green Buildings Companies/REITS that have an average 4.75 star or better NABERS energy rating or earn 50% of revenue from activities identified by Project Drawdown as Buildings Sector solutions.</p>
<p>Sustainable Tourism Companies that earn 50% or more of revenue from sustainable tourism.</p>
<p>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.</p>
<p>Social and Community Housing Companies that earn 50% or more of revenue from social and community housing.</p>
<p>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.</p>
<p>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.</p>
<p>Relevant Certification Certified B Corporations; Supply Nation registered businesses; Companies with a RAP³ Elevate; Companies with 50% or more of revenue from the sale or manufacture of Fairtrade certified products.</p>

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.

¹ Project Drawdown® is a non-profit organisation which conducts rigorous review and assessment of climate solutions.

² National Australian Built Environment Rating System <https://www.nabers.gov.au/>.

³ Reconciliation Action Plan; <https://www.reconciliation.org.au/>

Responsible Investment Committee

The Responsible Investment Committee ("RIC") is a body, established by the Responsible Entity, that is nominated in the Index methodology to determine the list of index components that pass the ESG-related screens set out in the methodology.

The RIC comprises individuals, appointed by the Responsible Entity, who are advocates of, and have experience and expertise in, ethical investing. A representative of the Responsible Entity is a member of the RIC, with a majority of members comprising other industry experts. The RIC's determinations are made by majority vote. The members of the RIC, which can change from time to time, are listed in the "Resources" section of the Fund's product page at www.betashares.com.au.

Index composition and weighting

In order to promote diversification among sectors, the Index will comprise a maximum of ten stocks from each of eleven industry sectors.

For each sector:

- If there are more than ten stocks in the screened universe that are Sustainability Leaders, the ten largest Sustainability Leaders by market capitalisation in the sector are included in the Index;
- If there are fewer than ten stocks in the screened universe that are Sustainability Leaders, all of the Sustainability Leaders are included in the Index, and additional stocks in that sector are added from the screened universe, in order of market capitalisation, until a maximum of ten stocks is reached.

Because there are eleven industry sectors in total, the maximum number of securities in the Index is 110. However, because it is generally expected that few, if any, securities from the energy sector will satisfy the screening criteria, the maximum number of securities in the Index, from a practical perspective, is likely to be closer to 100.

For more information on the Index, including guidelines for determining the list of exclusions from the Index and materiality exposure guidelines, see the Index methodology document available on the Fund's product page at www.betashares.com.au.

The Index employs a modified market capitalisation weighting methodology. Each security is assigned its free float adjusted market capitalisation weight. At each annual evaluation, the Index is rebalanced such that the maximum weight of any single security does not exceed 4.0% of the Index and the maximum weight of any "additional renewable energy security" does not exceed 0.1% of the Index. The excess weight of any capped security is distributed proportionally across the remaining securities in the Index.

The Index is evaluated annually in August. Security additions and deletions are made effective after the close of trading on the third Friday in September.

Between the annual evaluations, the number of Index constituents may change as a result of corporate events, such as mergers or acquisitions, involving Index constituents, or any determinations to remove securities that may have otherwise become ineligible. It is not generally expected that ESG-related deletions will occur between the annual evaluations other than for material events that materially change the business composition of an Index constituent (e.g. as a result of corporate actions).

The nature and method of calculation of the Index may change from time to time.

The Index provider is not a related company of the Responsible Entity.

Past performance information about the Index is available from various sources, including stockbrokers, financial information websites and major data providers such as Bloomberg or Reuters. Any past performance information about the Index does not take into account fees, costs or taxes that may be incurred as a result of investing in the Fund. Past performance of the Index is not a reliable guide to future performance of the Index or the Fund.

A listing of the Fund's portfolio holdings, updated daily, will be available at www.betashares.com.au.

Due to the screens applied to determine the Index constituents, the sector weightings of the Index may be materially different when compared to a traditional broad Australian share market index that is based only on market capitalisation. The Index will likely be under-weight certain sectors such as materials, energy and banks.

4. Section 6.1.1 titled "Custodian and Administrator" is amended by replacing the last paragraph in its entirety with the following:

As at the date of this PDS, the custodian and administrator is:

Citigroup Pty Ltd
Level 23
2 Park Street
Sydney NSW 2000

5. In section 8 of the PDS titled "Glossary", the "Responsible Investment Committee" definition is deleted and replaced with the following:

The committee appointed by the Responsible Entity responsible for determining the list of securities that pass the responsible investment screens as detailed in this PDS, as described in section 2.1.3.

6. In the Directory on the back cover of the PDS, the information under "Custodian & Fund Administrator" is replaced in its entirety with the following information:

Citigroup Pty Ltd
Level 23
2 Park Street
Sydney NSW 2000

7. Each reference to "RBC Investor Services Trust" in the PDS is replaced with "Citigroup Pty Ltd".

8. Each reference to "RBC Investor Services" in the PDS is replaced with "Citigroup".