Incorporating both Ethics and ESG Best Practice in Financial Planning

Greg Liddell, BetaShares

BetaShares
Exchange Traded Funds

Incorporating Ethics and ESG Best Practice in Financial Planning

June 2022 | Advice in Action Conference

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Agenda

1. Ethics

- What is ethics?
- FASEA Code of Ethics
- Case studies
- Elder financial abuse

2. Sustainable Practice Management

- Sustainability – walk the walk
- Net zero – footprints and carbon credits
- Waste and recycling

About BetaShares

74
Widest range of exchange traded products on the ASX

$22B*
in assets under management

Providing intelligent investment solutions

Built to help **Australian investors** meet their financial objectives.

Founded in
2009

100+
Colleagues across Australia and New Zealand

* As at 31 May 2022. Dollar figures are shown in AUD.

Our approach to ESG

Signatory to Principles to Responsible Investment (PRI)

BetaShares is proud to be a signatory to the Principles for Responsible Investment (PRI), the world's leading independent proponent of responsible investing.

Member of RIAA

BetaShares is a member of the Responsible Investment Association Australasia (RIAA). RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand.

Trusted by Investors

As at 31 May 2022, our eight ethical ETFs had over $3.8 billion in assets under management (AUM), representing 47% of industry ESG AUM.

Investment principles

Our Stewardship Report includes our proxy voting and engagement record over the past year.

BetaShares is dedicated to ensuring our ethical exposures are true to label, transparent and employ some of the most stringent screening criteria in the market.

We are also committed to making a positive impact and influencing change at a corporate level by engaging with companies and proxy voting.

Our Responsible Investment Policy highlights our approach to proxy voting.

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Part 1: Ethics

What is Ethics?

BLACK

GREY

WHITE

Values

Principles

Purpose

FASEA Code of Ethics

Standards of Ethical behaviour

Standard 1

You must act in accordance with all applicable laws, including this Code, and not try to avoid or circumvent their intent.

Standard 2

You must act with integrity and in the best interests of each of your clients.

Standard 3

You must not advise, refer or act in any other manner where you have a conflict of interest or duty.

Standards of Client care

Standard 4

You may act for a client only with the client's free, prior and informed consent. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.

Standard 5

All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances.

You must be satisfied that the client understands your advice and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.

Standard 6

You must take into account the broad effects arising from the client acting on your advice and actively consider the clients broader, long-term interests and likely circumstances.

Standards of Quality process

Standard 7

The client must give free, prior and informed consent to all benefits you and your principal will receive in connection with acting for the client, including any fees for services that may be charged. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.

Except where expressly permitted by the Corporations Act 2001, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.

You must satisfy yourself that any fees and charges that the client must pay to you or your principal, and any benefits that you or your principal receive, in connection with acting for the client are fair and reasonable, and represent value for money for the client.

Standard 8

You must ensure that your records of clients, including former clients, are kept in a form that is complete and accurate.

Standard 9

All advice you give, and all products you recommend, to a client must be offered in good faith and with competence and be neither misleading nor deceptive.

Standards of Professional commitment

Standard 10

You must develop, maintain and apply a high level of relevant knowledge and skills.

Standard 11

You must cooperate with ASIC and monitoring bodies in any investigation of a breach or potential breach of this Code.

Standard 12

Individually and in cooperation with peers, you must uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.

Our values

A relevant provider must always act to realise and promote the values of:

- **Trustworthiness**
- **Competence**
- **Honesty**
- **Fairness**
- **Diligence**

fasea
STANDARDS AUTHORITY

Source: Financial Planners & Advisers Code of Ethics 2019 (October 2020)

Case Studies

Wholesale Investor Certificate

If you are investing less than $500,000 you will need to complete this form or submit an equivalent qualified accountant's certificate to satisfy the Responsible Entity that you are a wholesale client/sophisticated investor

ASIC takes a broad view of professional conduct

Standard 12:

Individually and in cooperation with peers, you must uphold and promote the ethical standards of the profession and hold each other accountable for the protection of the public interest.

"…..being, and being seen to be, a profession that acts ethically and professionally."

Standard 4 and Elder Abuse

Standard 4:

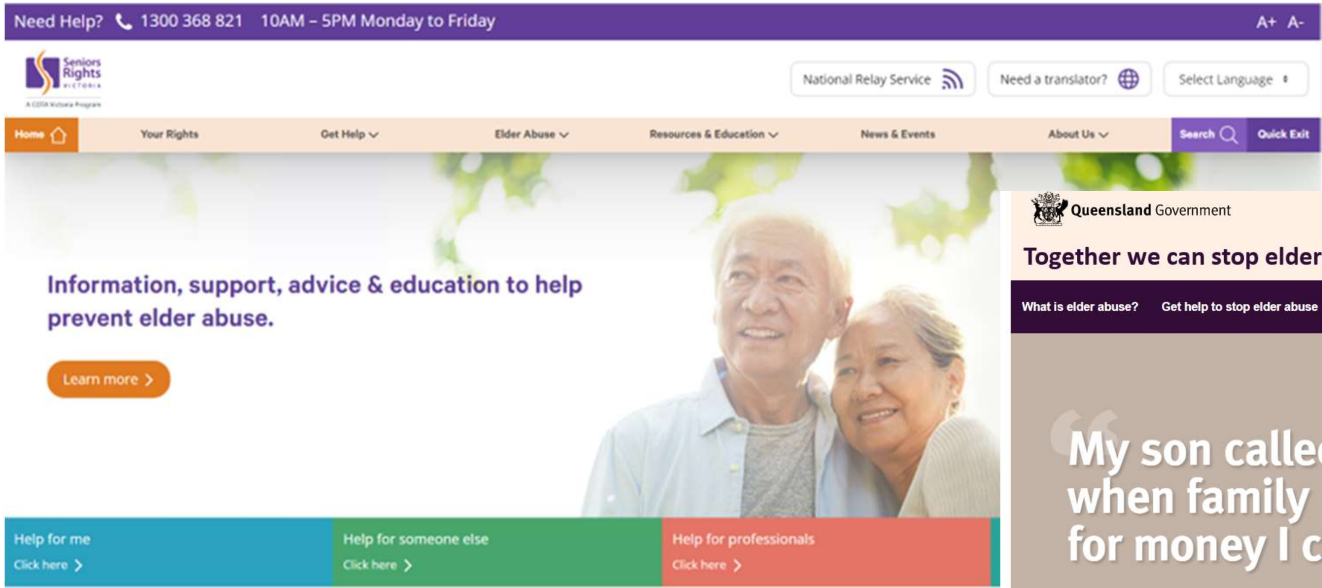
You may act for a client only with the client's free, prior and informed consent.

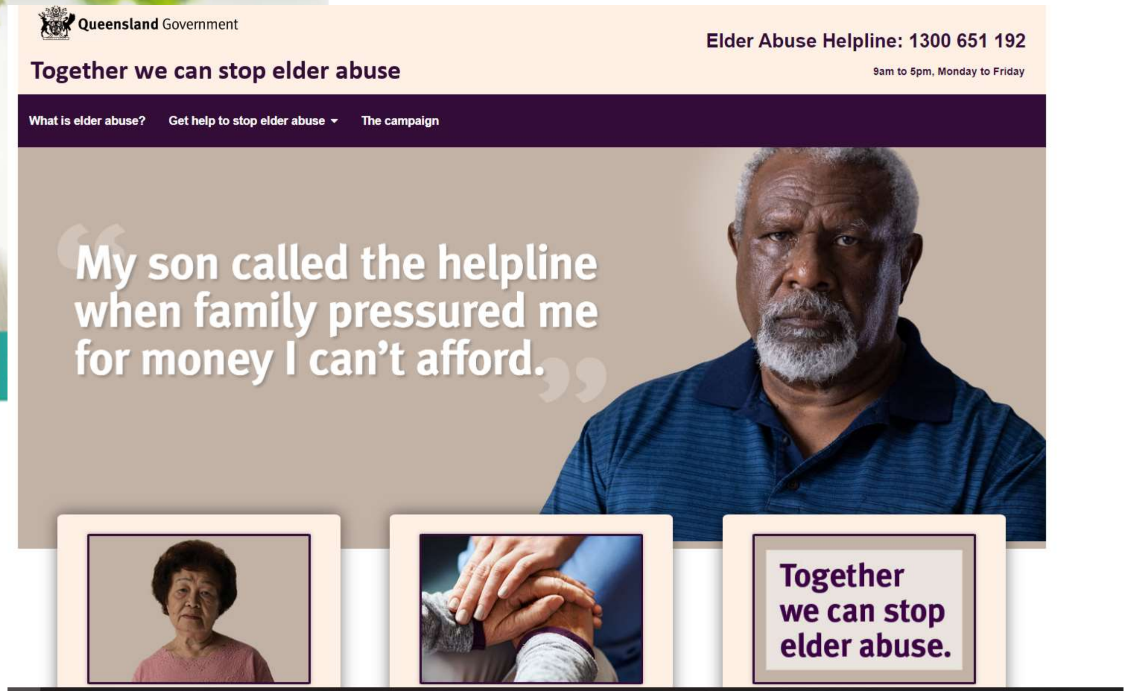
Examples:

- moving into the home of an older person without their consent and failing to contribute to household costs.
- forcing, coercing or misleading an older person into signing paperwork concerning loans, property, investments, wills or powers of attorney.
- misusing powers of attorney to manage an older person's finances.
- stealing goods, whether expensive jewellery, electronic equipment or basic necessities such as blankets and food.
- using bank or credit cards without the person's permission.
- promising to care for someone in exchange for their financial help, then not providing the care.

Source: Senior Rights Victoria 'Seven Years of Elder Abuse Data in Victoria', August 2020

Elder Abuse Toolkit





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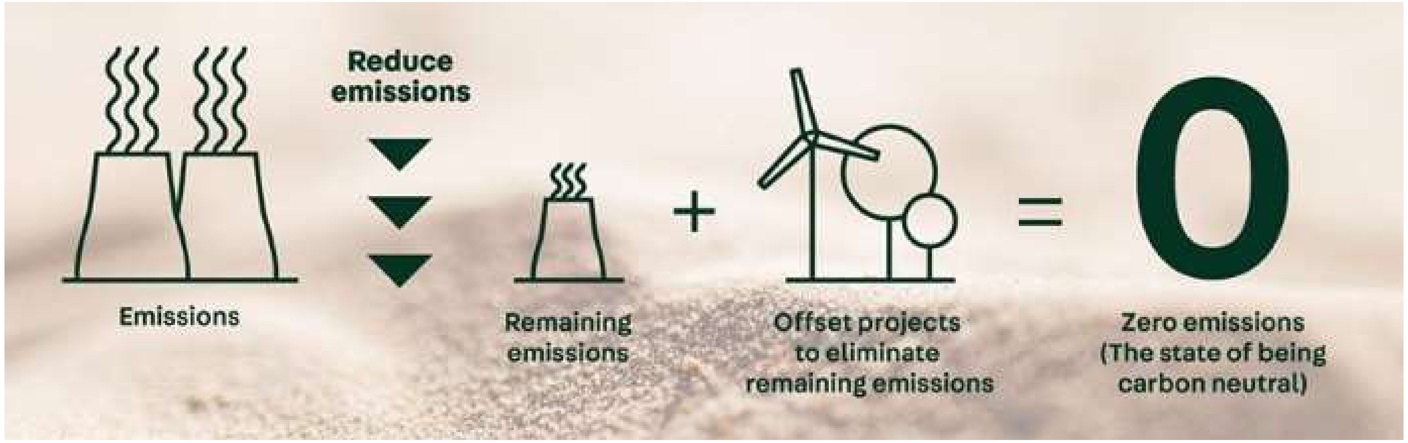
Part II: Sustainable Practice Management

Sustainable Business – Walk the Walk

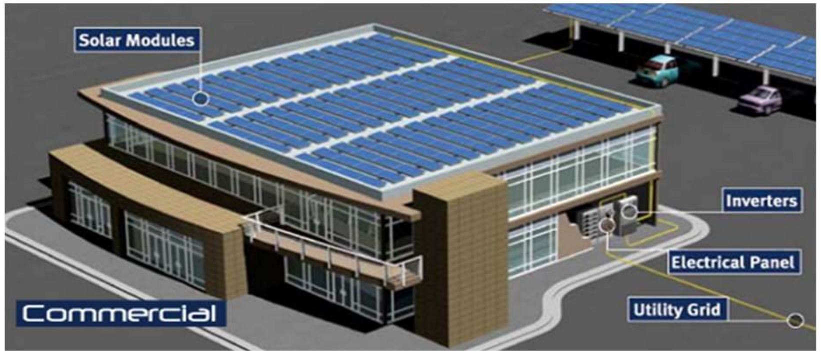
Source: From Values to Riches: Charting consumer demand for responsible investing in Australia, RIAA 2022

Carbon Neutral



Source: Climate Active. Example for illustrative purposes only.

Emission Reduction



Carbon Credits 101

- Carbon credits ‘offset’ a tonne of carbon
- Australian Carbon Credit Units (ACCUs) are domestic units issued by the Clean Energy Regulator
- Offshore credits vary in quality
- Carbon credits can be purchased through brokers and traders – refer Carbon Market Institute Marketplace Directory

Carbon Market Institute

Australia's carbon credit scheme 'largely a sham', says whistleblower who tried to rein it in

Prof Andrew Macintosh says the system, which gives credits for projects such as regrowing native forests after clearing, is 'a fraud' on the environment, taxpayers and consumers

Source: Adam Morton, ‘Australia’s carbon credit scheme ‘largely a sham’, says whistleblower who tried to rein it in’, *The Guardian*, 23 March 2022

Waste and Recycling

- Recycle everything
- Minimise printing
- Refill printer cartridge
- Electronic waste
- Crockery and dishwasher

Summary

- Ethics are a compass to help navigate the grey
- Professional ethics should be embedded in everything you do
- Investors are increasingly expect you to ‘walk the walk’

Individualising the Advice service offer

Will Riggall, Clime Investment Management

Individualising the Advice service offer

Will Riggall – Chief Investment Officer

clime

RALTON
ASSET MANAGEMENT

Disclaimer

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Who and why to individualise

CIO Clime Investment Management/Ralton PM

- Direct equity portfolios – SMA/IMA
- Multi asset SMA and IMA
  - SAA and DAA
  - Fund selection
- Advice business advisory role
  - Platform
  - Investment Committee
  - Efficiency
  - No "one size fits all"

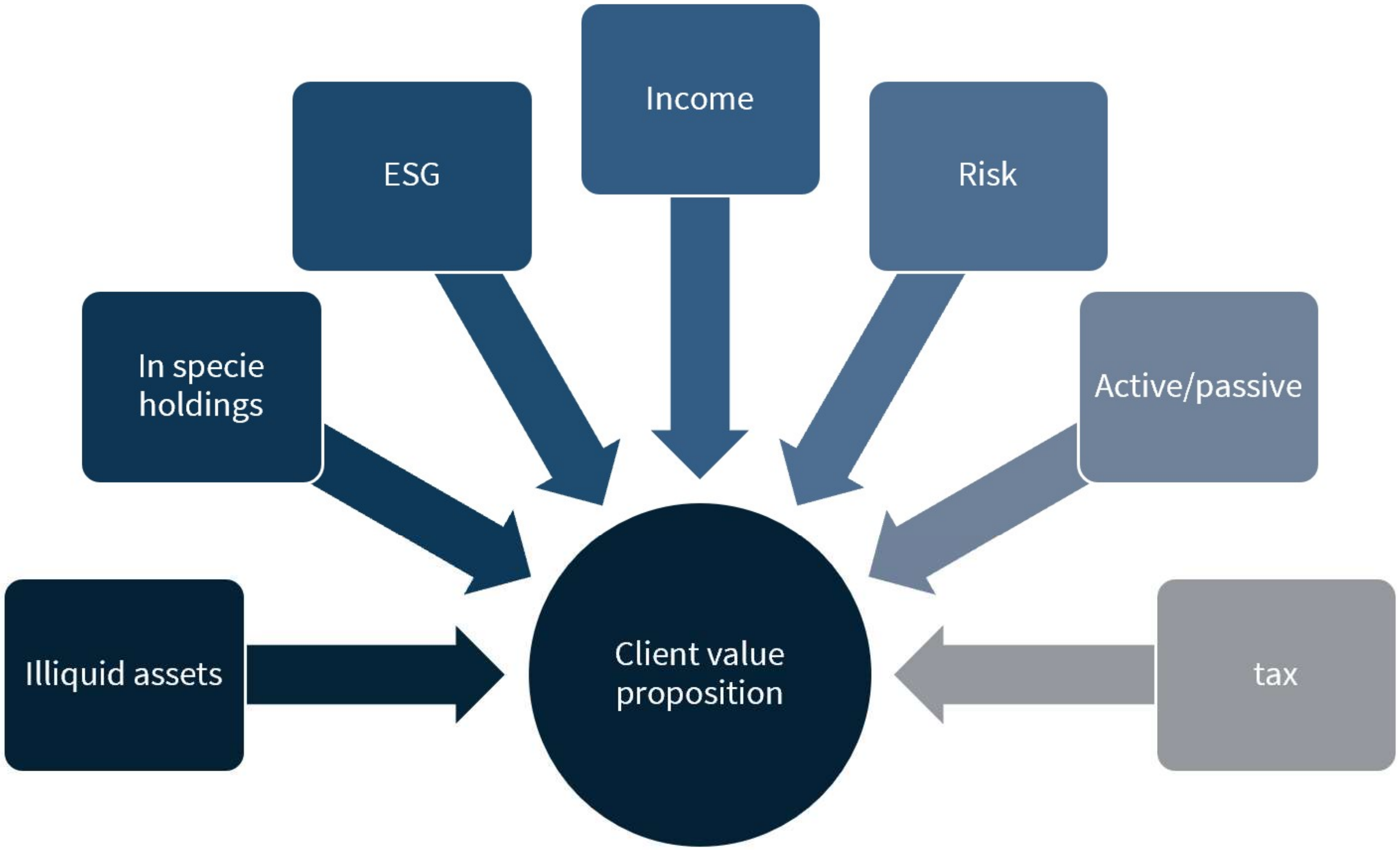
Who are customizing their solutions?

- Advice groups
- Individual advisors
- Wholesale or retail
- HNW/UHNW
- Retiree
- Strategy – debt recycling

Individualising the advice offer in context

- Need for efficiency
- Heritage structures
- Advisor perception of value
- Client value perception
- Investment solution complexity
- Client sophistication /wealth

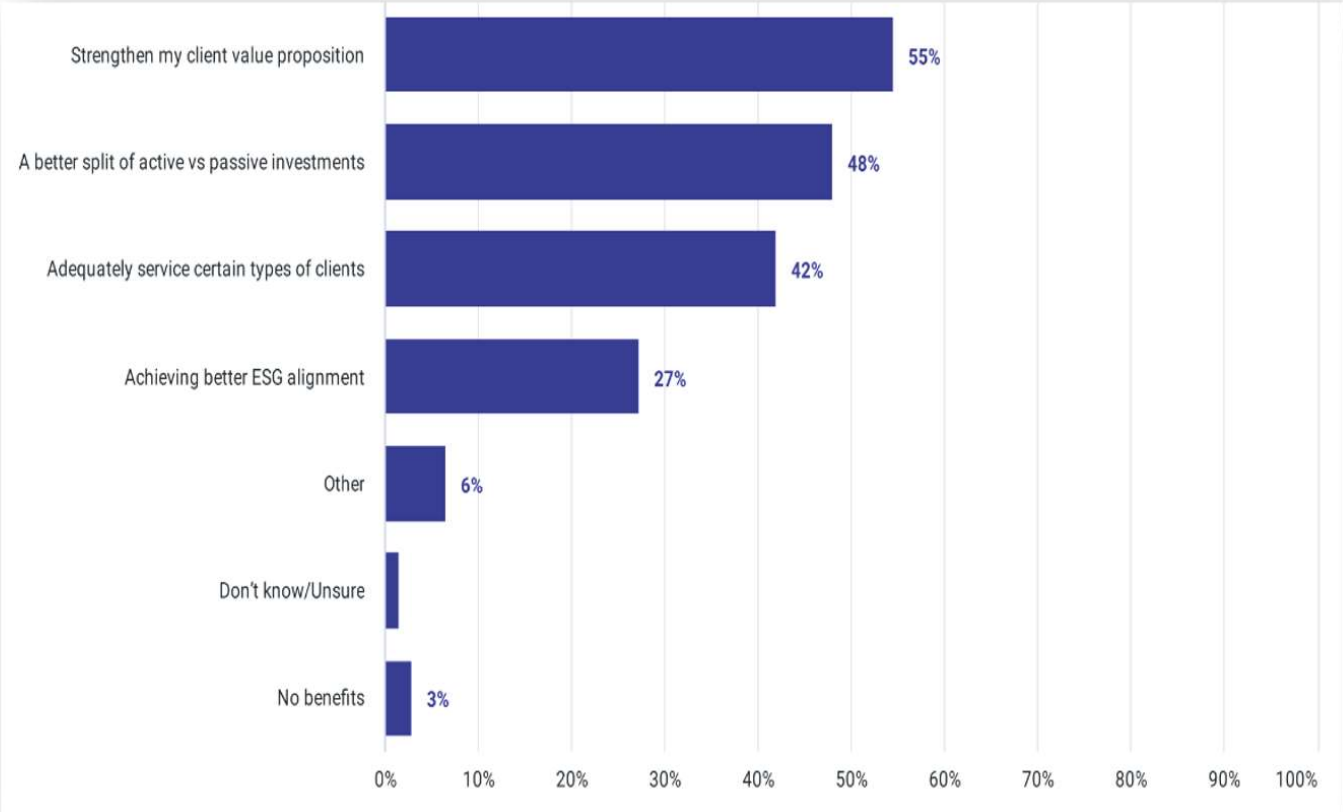
What does individualisation mean?



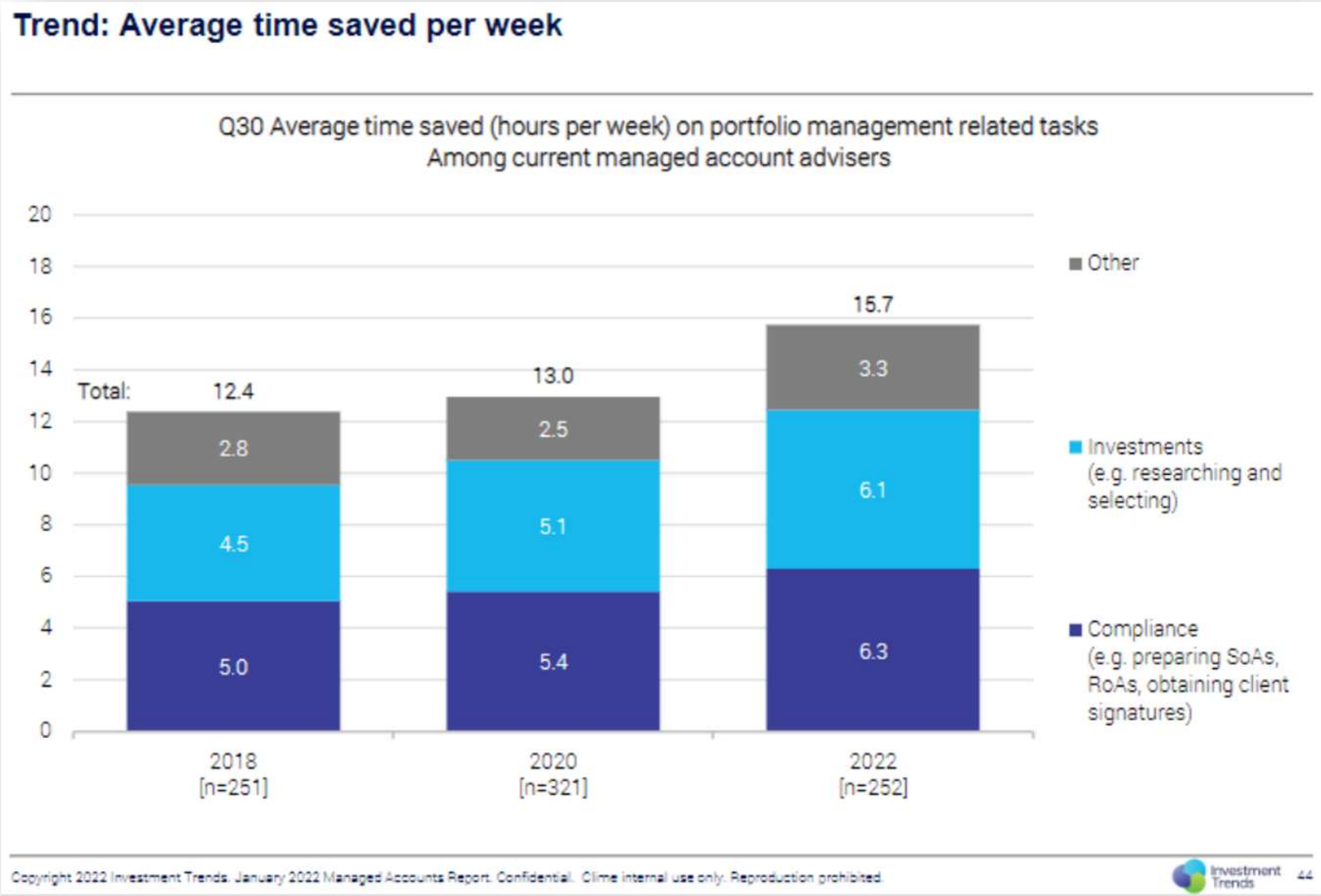
BID strengthens the case of Individualisation

The best interests duty and related obligations are **designed to ensure that retail clients receive advice that meets their objectives, financial situation and needs, and that you act in the best interests of your clients when providing advice**.

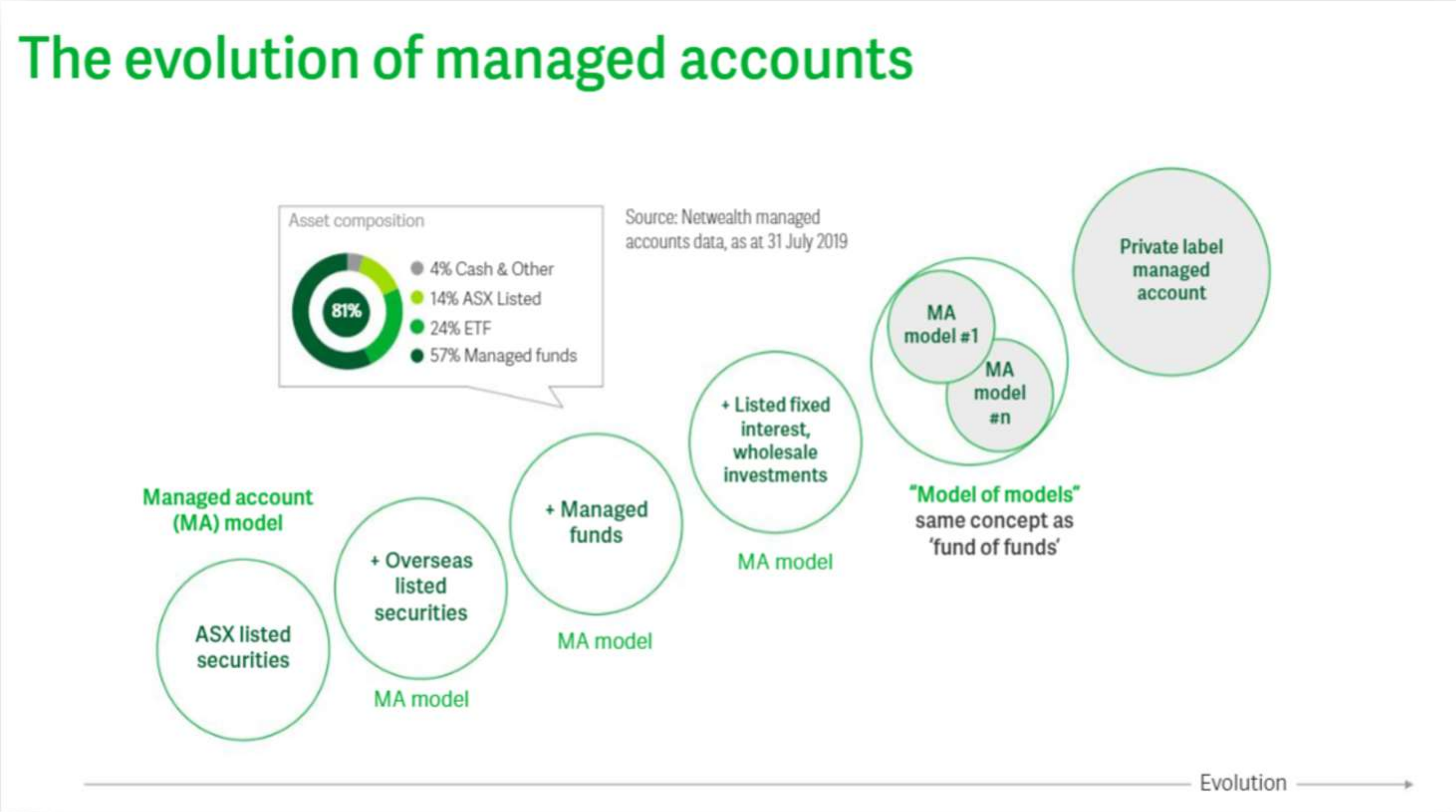
Benefits of customizing managed accounts



Managed Accounts – use of time savings



How can you be efficient if you individualise?

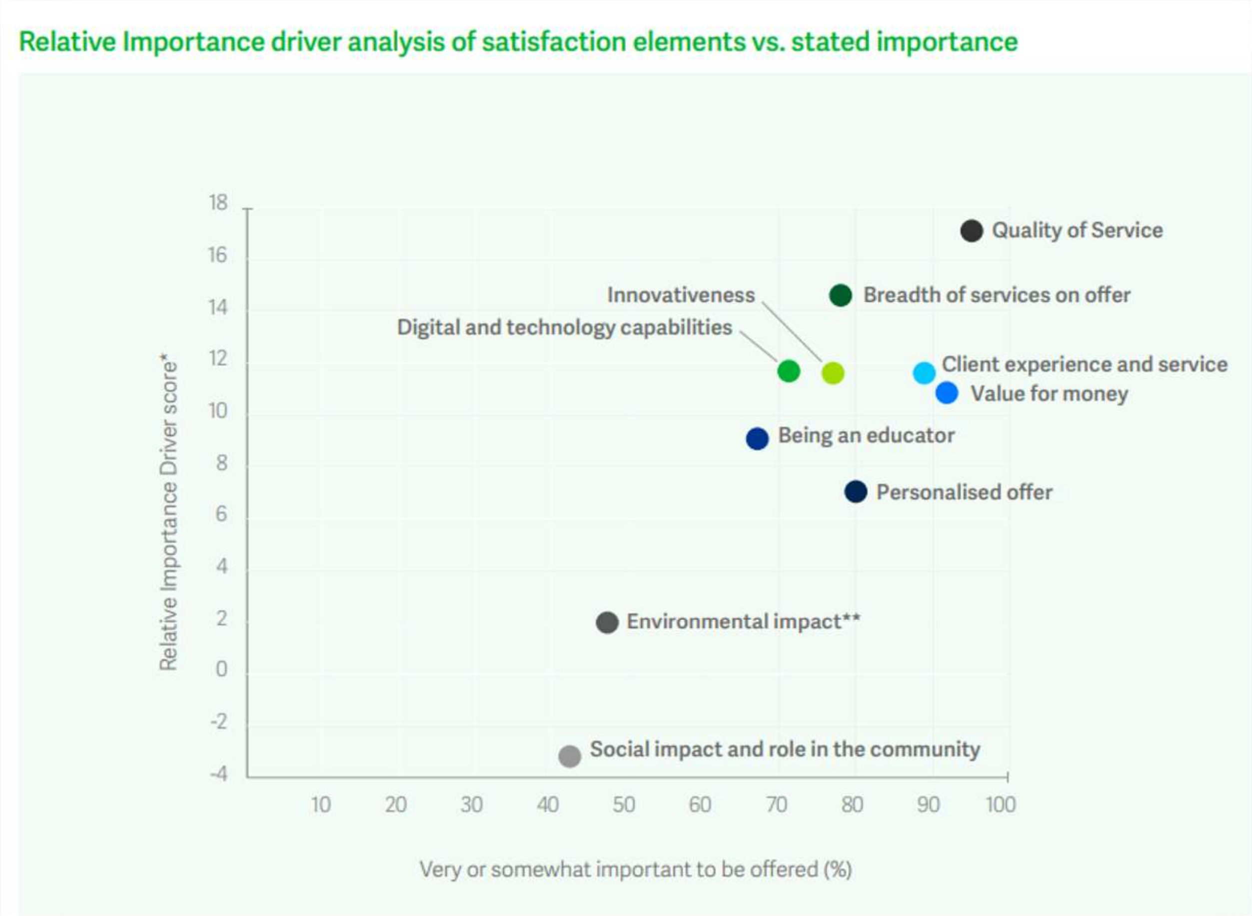


- What is your starting point?
- Platform as an enabler
- Technology advances
- Praemium ESG screens with sustainalytics
- Non-custodial advances
  - Netwealth
  - Praemium

Increasing HNW demand

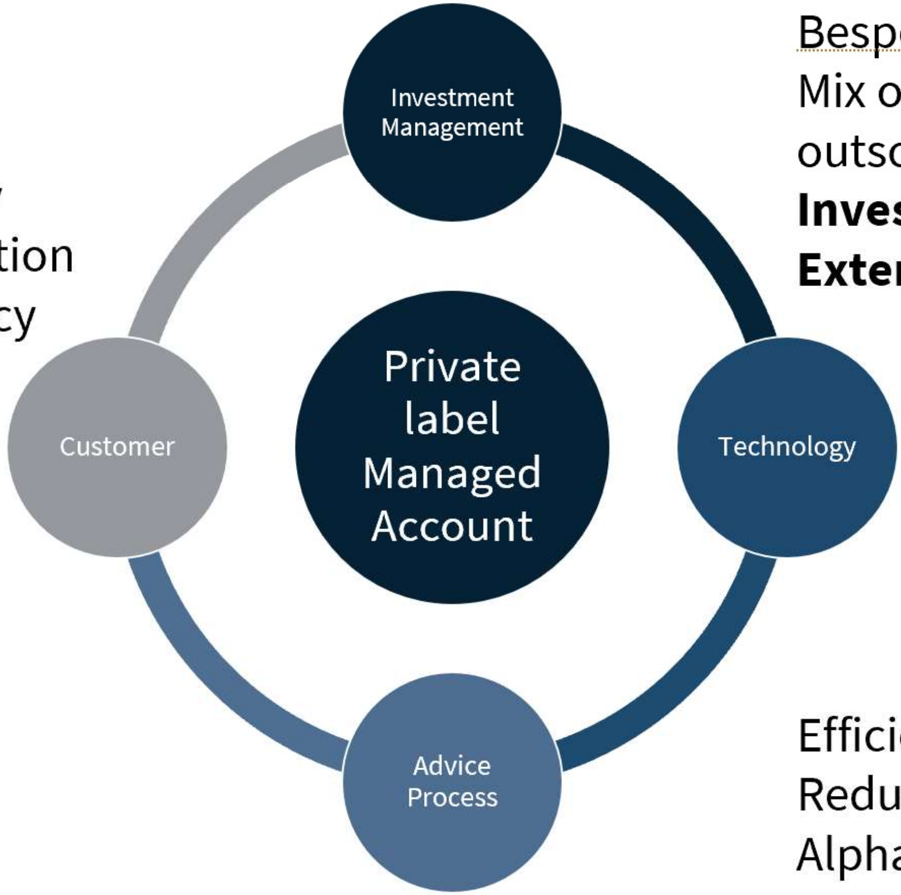
What does a HNW look for from an adviser?

- ❑ Quality of Service
- ❑ Technology
- ❑ Education
- ❑ **Personalised Offer**
- ❑ ESG



Is a private label managed account the answer?

Consistency
Personalisation
Transparency
Education
Cost



Bespoke model
Mix of insource and outsource
Investment Committee
External due diligence

Efficiencies
Reduction in ROA
Alpha decay

Where a Private Label may suit

- Firms that are self licensed or managed their own APL
- Clear investment philosophy
- Where the value of the firm is investment capability
- Willingness to invest in investment governance frameworks and capability
- Where advisers are aligned on governance and philosophy

Case Study: Private menu project

Advice group – broking heritage

Value proposition
- direct stock
- direct property trusts
- Service

Request to simplify

Need for customized model portfolios

Consultant relationship
- Governance/Investment Philosophy development
- Partnership with platform

Investment Committee

Investment Process
- AA/DAA
- Active/Passive
- Direct Equity model
- Incorporate direct asset holdings

Conclusion

- ❑ Increasing demand for individualisation
- ❑ Multiple reasons for individualisation
- ❑ Individualisation can part of client value proposition
- ❑ Platform as an enabler
- ❑ Increasing demand from HNW and sophisticated investor
- ❑ Individualisation brings with it an extra governance layer
- ❑ Multiple stakeholders play role in delivery of bespoke models

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Invest in people, who invest in you.

The competition for talent

Alisdair Barr, Striver

Matthew Swieconek, Findex

Moderator: Mike Pope, LaVista Licensee Solutions

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DASH

FINDEX

JANA
DEPTH
WITH
DIFFERENCE

Lonsec

MLC
ASSET MANAGEMENT

Morgan Stanley

præmium

Zenith
INVESTMENT PARTNERS