

TRUST MANAGEMENT

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Ethical Investment Report

April 2022

Trust Management has implemented an Ethical Investment Policy, which formalises the ethical investment framework and objectives of the investment funds.

In the second half of 2021 we undertook a review of our ethical investment framework to identify ways to improve the Environmental, Social and Governance (ESG) profile and impact of the funds.

In this report, we provide an update on our new Ethical Investment Policy, the ways in which we implement ethical investment criteria across the investment funds, a timeline of our ethical investment journey over the last three years, some insights into the climate and ESG positioning of the funds, along with some of our planned initiatives going forward.

This report forms part of our regular engagement with our investors. We welcome your comments and feedback.



Ethical Investment Policy overview

A copy of the new Ethical Investment Policy can be found [here](#).

+ Ethical Investment Principles:

We have adopted three new ethical investment principles which underpin and drive our approach to ethical investment. The three new principles, which are embedded in the way we invest, broadly cover each of the environmental, social and governance themes and are linked to Māori tikanga (values). These are:



Kaitiakitanga: Care for the Environment

“Toitū te Marae o Tāne, o Tangaroa, o Rangī, Toitū tonu te whenua me te iwi”

If the forest is well, if the sea is well, if the sky is well, the land and the people will thrive.



Manaakitanga: Care for the Community

“He aroha whakatō, He aroha puta mai”

If kindness is shown, then kindness you shall receive.



Kotahitanga: Care for Equality

“Me mahi tahi tātou mō te oranga o te katoa”

We should work together for the wellbeing of all.

+ Investment Approach:

The Policy provides more clarity and detail on how we, and our underlying investment managers, integrate ESG considerations when making investment decisions, undertake stewardship or engagement activities, and implement securities or sector exclusions within the investment funds.

+ Climate change:

An overview of our support and commitment to climate change, which incorporates our approach to addressing these issues within the investment funds has been included.

+ Targets:

Our approach to setting, reviewing, measuring and monitoring ethical investment targets. The specific targets are now included in the Statement of Investment Policies and Objectives (SIPO) document for the investment funds, which can be found [here](#).

+ Industry Commitments:

Our industry commitments have been incorporated into the Policy to provide detail on Trust Management’s contribution to the ethical investing community.

Exclusions

As outlined in our Ethical Investment Policy, we believe that some products and business practices are detrimental to society and not suitable for ethical investment strategies. We do not believe that such companies will provide value over the long term, and therefore seek to avoid or limit investment in these activities. The table below outlines the exclusions operated by the Funds.

Exclusion criteria	Exclusion sub-area	Revenue threshold for International shares	Revenue threshold for International bonds	Revenue threshold for Australasian shares, NZ bonds, Property
 Controversial weapons	Cluster munitions, anti-personnel mines, nuclear weapons	0%	0%	0%
 Civilian firearms	Manufacturing, key components, ammunition, distribution	-	5%	-
 Controversial behaviours	Extreme ESG controversies, UN Global Compact Principles violators	0%	0%	-
 Fossil fuels	Thermal coal extraction, production, or where utilised in power generation ^{1,2}	10%	0%	10%
	Oil & gas extraction, production, or where utilised in power generation ²	-	0%	10%
 Nuclear power	Nuclear power plants, uranium mining, enrichment and processing, nuclear reactors	-	0%	-
 Tobacco	Manufacturing	0%	0%	0%
 Alcohol	Production	-	5%	10%
 Gambling	Operations, specialised equipment ³	-	5%	10%
 Adult entertainment	Production, distribution ³	-	5%	10%

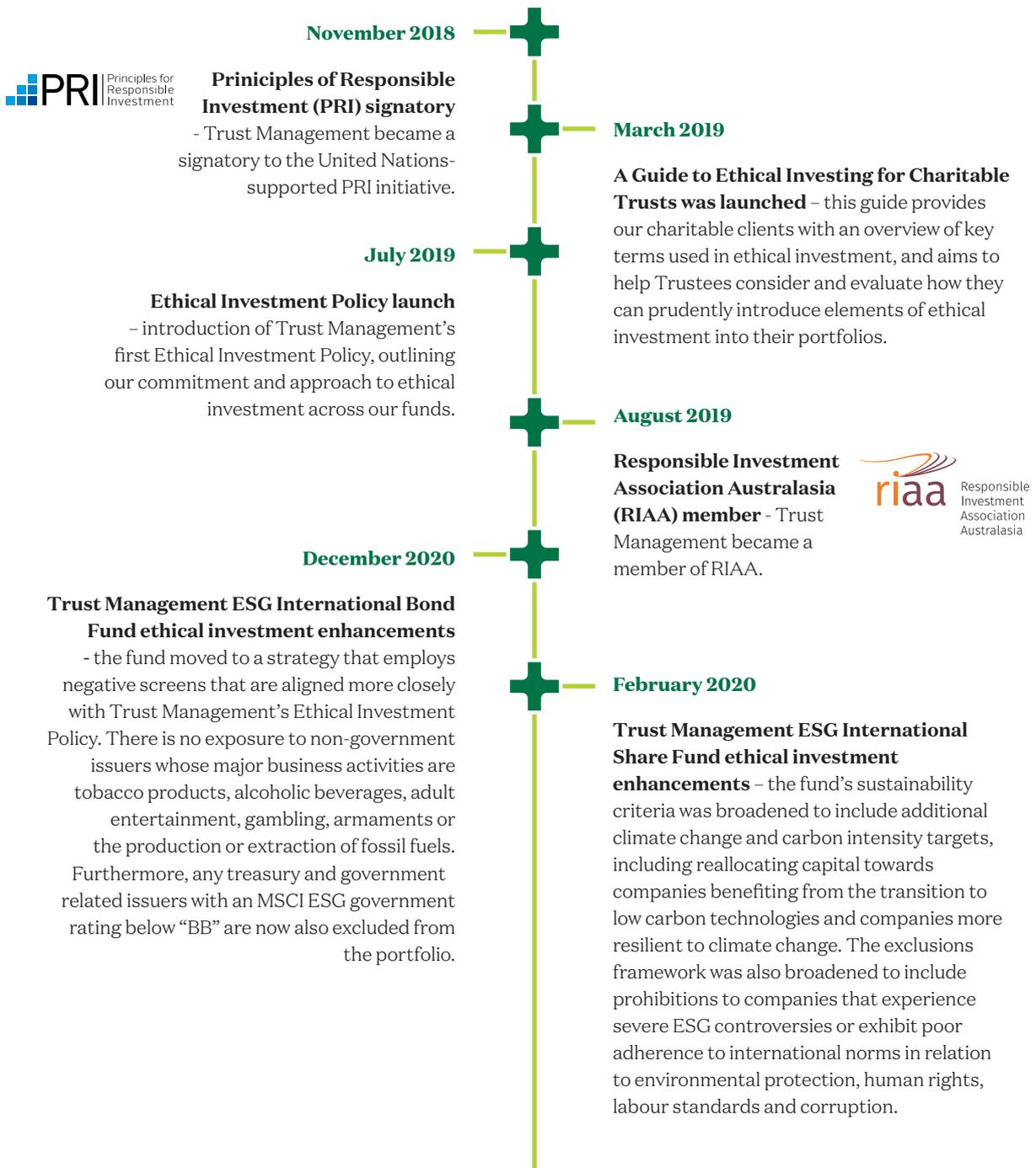
¹ - International shares only

² - International bonds only

³ - Australasian shares, NZ bonds, Property only

Our ethical investment journey

Across the investment strategies employed by each of our investment funds, we have continued to enhance our ethical investment approach. The following timeline shows the progress we have made in our commitment to ethical investing over the past three years.





Ethical investment snapshot

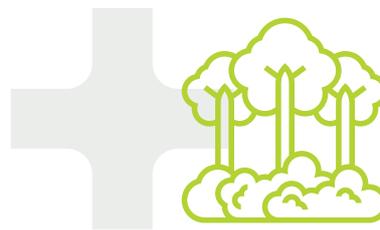
As part of our Ethical Investment Policy, we have committed to delivering specific and measurable Environmental, Social and Governance related targets across our funds. These specific targets per fund relate to having a favourable disposition to investments with stronger ESG characteristics among their peer group along with a lower carbon intensity.

Below is a snapshot of some of the ESG and climate metrics across our investment funds that we currently track.



Trust Management ESG NZ Bond Fund:

As at the end of December the fund held over 25% in green and social bonds, including green bonds issued by Mercury Energy and Kiwi Property Group, a social bond issued by Housing New Zealand, and a gender-diversity bond issued by the Asian Development Bank, aimed at promoting gender equality and women’s empowerment across Asia and the Pacific.



Trust Management ESG Australasian Share Fund:

As at the end of December the carbon intensity (volume of greenhouse gas emissions associated with the fund per million dollars of revenue) of the fund was almost half that of the fund’s benchmark index.



Trust Management ESG International Share Fund:

Against the fund’s benchmark index, the fund is positioned in a way that the carbon intensity of its holdings is 70% lower than the market and a 90% lower exposure to fossil fuel reserves. Relative to the benchmark index, the fund also targets a 300% higher exposure to companies generating “green revenues” (revenues from products and services that have a positive environmental impact).



Trust Management ESG International Bond Fund:

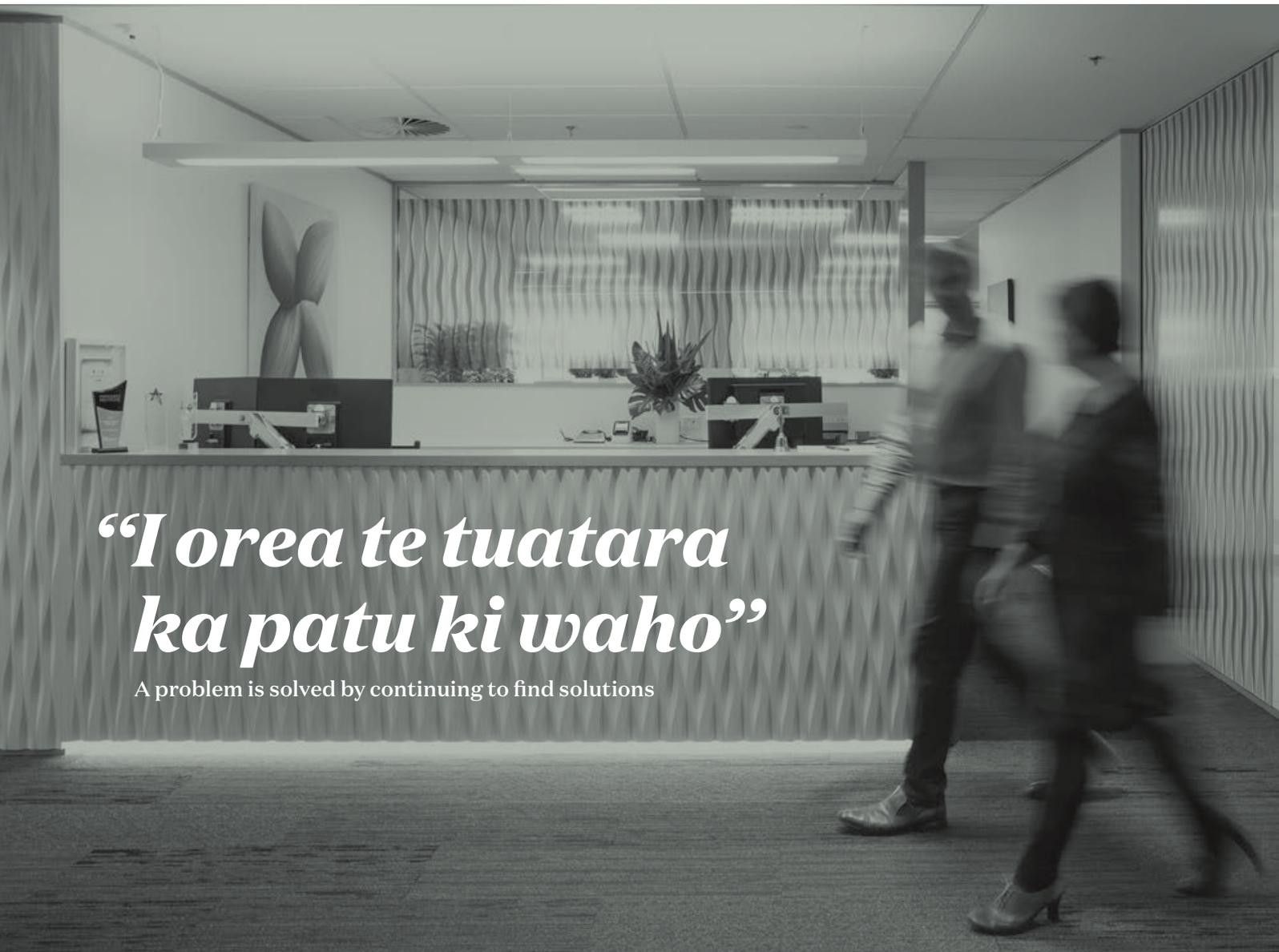
As at the end of December, the carbon intensity of the fund was approximately one fifth that of the fund’s benchmark index. The reductions come from investing in less carbon intensive government related and corporate issuers.

Next steps

As part of our ongoing ethical investment framework review, some of the next steps are to:

- + Implement more consistent measurement of the ESG data and climate change positioning data across the investment funds, and adopt objectives to deliver improvements in these metrics over time.
- + Develop and publish a climate change strategy including a carbon emission reduction plan for the investment funds.
- + Consider further alignment of exclusions across the investment funds, particularly as new offerings come to market, and/or work with our Investment Managers to seed new fund offerings.
- + Continuing to engage with our clients and stakeholders on ethical investment considerations via our investor survey. Our next survey will be sent out in the coming months, and we look forward to receiving your input.

We look forward to sharing further developments as our ethical investment journey continues.



*“I orea te tuatara
ka patu ki waho”*

A problem is solved by continuing to find solutions

Contacts

Please reach out to Matthew if you would like further information on our ethical investment approach

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Matthew joined Trust Management in March 2020. Matthew was previously the Head of Investments at BT Funds Management/ Westpac, leading the investment team with responsibility for over \$12bn in assets. Prior to his twelve-year role at BT, Matthew was at AXA Global Investors where he was employed as the Head of Investment Research. Matthew acts as relationship manager and investment advisor for Trust Management's investment clients.

