

**TRUST⁺
MANAGEMENT**



**Ethical
Investment
Policy**

December 2021

“I orea te tuatara ka patu ki waho”

A problem is solved by continuing to find solutions

+ Purpose

As a charitable entity, we believe it is appropriate to operate in a manner that is consistent with our business’s values and the values of our charitable client base. Accordingly, ethics, prudence, and fiduciary duty have always underpinned our investment advice and form the foundations of our investment funds.

We believe that embedding environmental, social and governance (ESG) considerations into our investment advice and investment funds is consistent with our fiduciary duties and provides an opportunity to add value by identifying investment opportunities, enhancing investment returns and mitigating risk. We believe it is possible to make money for clients while contributing to leaving the world in a better place.

Our Ethical Investment Policy sets out how we approach ethical investment across the Trust Management PIE Funds.

+ Definitions

ESG is a term used by investors to refer to a range of non-financial performance indicators of companies. We define ethical investment as the integration of ESG considerations into investment management processes and ownership practices, in the belief that these factors will enhance financial value and mitigate risks through taking a broader approach to investment analysis and decision making.

Examples of typical ESG factors include:

Environmental (Taiao)	Social (Whanaungatanga)	Governance (Rangatiratanga)
Climate change	Diversity & inclusion	Anti-competitive behaviour
Energy efficiency	Employee engagement	Appropriate executive control
Waste management	Human rights	Board diversity
Pollution	Health & safety	Bribery & corruption
Biodiversity	Labour standards & working conditions	Executive remuneration
Deforestation	Supply chain management	Accurate accounting methods
Resource depletion	Community relations	Transparency

Ethical Investment Principles

We have identified three key ethical investment principles which underpin our focus on and approach to managing ESG issues across our investment funds. These key principles form part of our investment decision making, fund exclusions, stewardship activities (including engagement), and collaborative activities.



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

A clean environment is essential to healthy living, well-being and the survival of all things. It is important that we take care of the environment to help nature thrive, and to maintain the delicate balance necessary to sustain life on this planet. We have a responsibility to leave the world in a better place for the next generation. This includes protecting our natural resources and biodiversity, reducing air pollution and waste, and combatting climate change.

The associated Māori tikanga concept is that of Kaitiakitanga, which means guardianship, preservation and protection of the sky, land and sea. Māori believe that earth is a taonga (gift) from our ancestors and should be protected as such. This concept relates to replenishment and sustainability of the environment. It is about safeguarding the future and reflects that people are part of the environment – not superior to it. Kaitiakitanga is extended by respecting and conserving the earth, being mindful of our impact on the earth, and giving back to the land.



Manaakitanga: Care for the Community *“He aroha whakatō, He aroha puta mai”*

If kindness is shown, then kindness you shall receive

We believe everyone has a responsibility to do no harm, and to care for our fellow tāngata (people) and ourselves. Everyone deserves to have good health and well-being, as well as to live in an inclusive, safe and sustainable community.

The associated Māori tikanga concept is that of Manaakitanga, which describes the way tāngata demonstrate respect, care and consideration of each other, through the expression of aroha (love), compassion, hospitality, generosity and mutual respect (whakarangatira). Manaakitanga secures the strength of our whānau (family) and communities. In doing so, all parties are elevated and our status is enhanced, building unity through humility and the act of giving.



Kotahitanga: Care for Equality

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

We should work together for the wellbeing of all

Society is founded on the idea of fairness and equality. Under Aotearoa New Zealand law, every person has the right to equal and fair treatment, independent of their gender, race, age, religious belief or sexual orientation. As a result people feel socially connected, and are able to participate and contribute to their community to create a safer, and more prosperous and harmonious society.

The associated Māori tikanga concept is that of Kotahitanga, which refers to collaboration, unity and togetherness. Kotahitanga is identifying as one, lifting each other up, sharing the earth, extending our āwhina (support) to everyone, and receiving the same back.



Our Ethical Investment Approach

As well as being a professional services company offering consulting, management, and property advice, we are also the licensed issuer of a number of PIE investment funds. We specialise in asset allocation, investment manager selection and monitoring, and property management.

We and our external investment managers incorporate ESG in the investment processes across our investment funds in five main ways:

ESG Integration

ESG assessment (including climate change)
integrated into investment process

Exclusions

Active screens to avoid
harmful sectors



Stewardship Activities

Engagement / Proxy voting

Exclusions

We believe that some products and business practices are detrimental to society and not suitable for ethical investment strategies. We want to avoid investing in companies which we or our clients deem unsuitable, and therefore certain exclusions are applied as outlined below.

In summary, there are three focus areas for our exclusions:

Controversial behaviours

Depending on the fund, we exclude investment in companies involved in controversial weapons, civilian firearms, and UN Global Compact Principles violators relating to human rights, labour, environment, and anti-corruption. We consider these activities controversial, and include those not permitted under Aotearoa New Zealand law, or contravene international laws, conventions and treaties to which Aotearoa New Zealand is a signatory.

Environmental harm

Depending on the fund, we exclude investment in companies involved in certain fossil fuel activities and nuclear power related activities, as they are harmful to the environment.

Social harm

Depending on the fund, we exclude investment in companies involved in tobacco, alcohol, gambling and adult entertainment, as they can cause harm to individuals, families and communities.

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

Further detail for each of the investment funds can be found in section 6 of the Statement of Investment Policies and Objectives.

These exclusions are managed through a series of controls. Where investments are delegated to external investment managers, the exclusions form part of the investment management agreement or fund offer documentation. Managers have pre-trade and post-trade compliance checks in place, and compliance is monitored by us. Any non-complying securities will be divested. For property assets, compliance is checked as part of the acquisition due diligence process.



ESG Integration

The assessment of ESG factors for a company is designed to help identify and understand material ESG related risks and how they may affect long term investment performance. We believe companies that actively manage ESG risks that are material to them and their industry, will exhibit stronger performance over the long term.

We outsource the management of all asset classes, with the exception of direct Property which is managed by our internal property team.

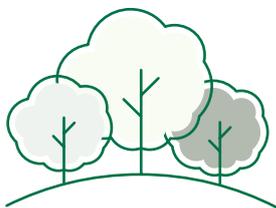
As part of our external investment manager selection process we undertake a formal review of each managers' processes to ensure they meaningfully integrate ESG into their investment decision making process, and have the dedicated people and resources they have to support this.

We require our investment managers to be a signatory of the UN-supported Principles of Responsible Investment (PRI).

ESG integration by our investment managers is monitored by the quarterly Investment Committee through their regular reporting of ESG activities, reviewing the outcomes of their annual PRI assessment, and ongoing dialogue on ESG issues.

For Property assets, ESG factors of the building and tenant are considered as part of the due diligence process involved in the acquisition of a property.





Stewardship Activities

“Ehara taku toa i te toa takitahi, ēngari he toa takitini”

My strength is not as an individual, but as a collective

We believe that as responsible stewards of our ‘clients’ investments, we have a duty to use their ownership rights to influence corporate behaviour and encourage positive change. These stewardship activities can be in the form of proxy voting and engagement, both of which can be a very powerful strategies for effecting change.

All our external investment managers have stewardship policies, including proxy voting principles. We review their proxy voting principles to ensure they align with our ethical investment principles and industry best practice. We expect our external investment managers to cast their votes in a manner consistent with their proxy voting principles.

Our external investment managers provide us with regular reporting on their voting and company engagement activities, which we monitor and maintain regular discussions to further encourage them be responsible stewards.

We undertake stewardship activities through:

- Joining collaborative engagement initiatives to add our voice in support of key issues
- Monitoring the engagement activates of our investment managers
- Advocating for effective ESG public policy with policy makers and regulatory bodies, and
- Engaging with property tenants and service providers to encourage and ensure positive change is enacted.

Engagement can be in the form of regular face-to-face meetings with investment managers, responses to market participant surveys, submissions to public policy makers and regulatory bodies, newsletter updates, surveys, campaigns and regular meetings with tenants and service providers.

Prioritisation of engagements is linked to our ethical investment principles outlined above. The focus is on issues that are deemed important to our clients based on our annual client survey, and to the importance of the ESG issue.

Stewardship activities of us and our underlying investment managers, including engagement and proxy voting, are monitored by the quarterly Investment Committee. We are working towards reporting these activities to clients.

Climate Change

“Te toto o te tangata, he kai; te oranga o te tangata, he whenua”

While food provides the blood in our veins, our health is drawn from the land

We believe that climate change poses a clear and significant danger to the health of our planet, society and future generations. We therefore support the objective of the Paris Agreement, and are committed to playing a constructive role in the decarbonisation of the global economy to serve the long-term interests of our clients.

We are also supportive of improving disclosures by listed companies in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Companies that do not address the need to transition to a low carbon economy are exposed to significant risks from regulatory change, and changing consumer demand. Climate change risks and opportunities are addressed as part of the fund exclusions, ESG integration and stewardship activities.

Targets

We have committed to specific and measurable ESG related targets across our investment funds. These specific targets per fund relate to higher ESG scores and lower carbon intensity. The targets are reviewed and set annually, with processes in place to measure and monitor the progress towards these targets quarterly.

Education and Promotion

We believe we have a duty to educate, encourage and promote the benefits of responsible investment. Accordingly, we have developed a number of strategies to interact with our clients and the charitable sector, including the development of resources for Trustees, holding seminars for charities, and providing other learning opportunities directly or indirectly.

Transparency & Reporting

We recognise the importance of providing our investors with regular reporting on our ethical investment activity. We and our underlying investment managers undertake a range of reporting. This may include our annual reporting to the PRI, information on climate-related metrics, and our regular newsletter which includes updates on ESG matters.

Industry Commitments

PRI declaration

We are a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, we have committed to adopt and implement the following principles:

- We will incorporate ESG issues into our investment analysis and decision-making processes
- We will be active owners and incorporate ESG issues into our ownership policies and practices
- We will seek appropriate disclosure on ESG issues by the entities in which we invest
- We will provide acceptance and implementation of the Principles within the investment industry
- We will work together to enhance our effectiveness in implementing the Principles
- We will report on our activities and progress towards implementing the Principles



RIAA membership

We are a member of Responsible Investment Association Australasian (RIAA), the largest and most active network of people and organisations engagement in responsible, ethical and impact investing across Australia and Aotearoa New Zealand.

We support 'RIAA's mission of ensuring capital is aligned with achieving a healthy and sustainable society, environment and economy.



ICGN membership

We are a member of the International Corporate Governance Network (ICGN), an investor-led organisation with the mission to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. As an ICGN member, we believe in the long term benefits of good governance and strive to make this an integral part of our approach to business and investment.

To find out more about PRI, RIAA and ICGN, you can visit their websites at: www.unpri.org, www.responsibleinvestment.org, or www.icgn.org

Governance

Ultimate oversight and accountability for this policy rests with our Board. Our executive team has responsibility for day-to-day application of the Policy.

*“Nāu te raurau, nāku te raurau,
ka ora ait e katoa”*

With your basket, and my basket, all will be well

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TRUST⁺ MANAGEMENT

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