Pie Funds Management Limited

Environmental, Social and Governance (ESG) Policy

18 December 2020

Document Control Table

Version Number	Date approved	Approved by	Amendment description / review details
1	10 May 2018	ESG Committee	Creation of document
2	18 July 2018	Head of Investments (Chair of ESG Committee)	Updates for Juno KiwiSaver Scheme
3	5 October 2018	ESG Committee	Addition of exclusions for cannabis and pornography
4	14 April 2020	Chair of ESG Committee	Removal of reference to the Multi Strategy Fund
5	1 December 2020	Investment Committee	Updates to exclusions and other minor amendments

This policy applies to both the Pie Funds Management Scheme and the Juno KiwiSaver Scheme

1. Introduction and Purpose

This policy describes Pie Fund Management Limited's (**Pie Funds**) approach to integrating, managing and reporting Environmental, Social and Governance (**ESG**) matters within its investment process. For clarity, this means the investment process governing Pie Funds Management Scheme and Juno KiwiSaver Scheme.

Pie Funds' portfolio managers are responsible for day-to-day integration of ESG matters into their investment process. However, Pie Funds remains accountable for overall investment activity, including appropriate integration of ESG matters.

The purpose of considering ESG matters in Pie Funds' investment process is:

1. **For clients**, delivering better risk-adjusted returns over the longer-term while providing deeper insight to their investments;
2. **For the investments team**, adding value to their research, portfolio-management and risk-management; and
3. **For regulators, advisers and stakeholders**, demonstrating genuine effort to incorporate ESG matters into investment decision-making, which reduces risk and adds value to investors.

2. ESG and risk

ESG risks are typically and incorrectly regarded as 'non-financial' risks. For investment managers, if a risk does not have an immediate – or eventual – financial impact, it is not a risk. ESG risks are more correctly regarded as 'latent' financial risks, as they often require specific effort and closer inspection to identify and understand.

For example, a company is repeatedly fined and attracts adverse stakeholder reaction because it is a serial polluter. Should that affect the company's forward earnings – even its viability? Should an investor avoid taking a position in the company; limit the weight of its position; require a higher return for the ESG risk? While the issue is environmental in nature, the impact and risk-management challenge is financial.

3. Policy statements

Pie Funds will:

a) have an ESG policy which is public and reviewed at least annually by the Investment Committee;
b) integrate ESG matters into the investment process for Pie Funds (meaning all Pie Funds Management Scheme funds plus Juno KiwiSaver Scheme funds, for which Pie Funds is the investment manager). This includes Pie Funds' consideration of selecting stocks and the selection, evaluation and monitoring of investment managers.
c) not directly invest in companies whose principal business activity is as follows (as defined by sources including but not limited to GICs Codes; external research providers or fundamental research by PIE Funds portfolio managers):
   - manufacturing cluster munitions and anti-personnel mines
   - manufacturing or testing nuclear explosive devices (NEDs)
   - manufacturing of tobacco
   - offering gambling, including online gambling
   - manufacturing of firearms
   - production of pornography, or generating more than 5% of revenue from pornography
   - cultivating, manufacturing or supplying cannabis plants or products for recreational use as their main business
   - providing support services for the recreational use of cannabis as their main business
   - cultivating, manufacturing or supplying cannabis plants or products for medical, scientific or industrial purposed without appropriate licence or authorization.
d) be aware if external managers have invested in securities Pie has decided to exclude, and influence that choice as much as is practicable.

Pie Global Growth 2 Fund

e) In addition, Pie Global Growth 2 Fund (part of the Pie Funds Management Scheme) will weight all investments – direct and via Exchange Traded Funds (ETFs) toward companies with lower carbon emissions and fossil fuel reserves.

Other exclusions

f) We may also decide to exclude companies, if we believe their activities – what they do, how they do it, or both – is against our ESG policy or otherwise poses undue ESG risk.

Further details

g) See schedule 1 for a more detailed overview of our integration process.

4. Review and update of this policy

This policy will be reviewed annually by the Investment Committee.

SCHEDULE 1 – integrating ESG within Pie Funds' investment process

ESG risk and opportunity will be considered as part of Pie Funds' selection, sizing, management and exit of its direct investments in companies.

ESG risk and opportunity will also be incorporated into Pie Funds' process for the selection, evaluation and monitoring of external investment managers.

This will be done by:

1. Excluding (and if necessary divesting) companies affected by our exclusions (Policy Statements, 3d)
2. Considering ESG matters in research and recommendations for investments. This includes but is not limited to:
    a. 'ESG controversies' and breaches of the United Nations Global Compact (UNGC), as indicated in research tools provided by Sustainalytics. This incorporates but goes beyond Pie's exclusions (Policy Statements, 3d).
    b. ESG matters emerging as part of Pie's own company research
3. Including ESG matters in the monitoring of existing company and manager holdings. Monitoring includes but is not limited to:
    a. New or developing 'ESG controversies' and breaches of the United Nations Global Compact, as indicated in research and analysis provided quarterly by Sustainalytics
    b. ESG matters emerging as part of Pie Funds' own monitoring
4. Including ESG matters in the selection, evaluation and monitoring of investment managers. This includes but is not limited to:
    a. Making managers aware of this policy, especially section 3d, and requiring managers to notify the Chief Investment Officer if they are investing in a security excluded under that section.
    b. The manager's ESG integration process and its outcomes
    c. The manager's research sources
    d. The manager's use of standards and benchmarks (for example, if a manager is a signatory of the United Nations Principles for Responsible Investment)
    e. The manager's participation in / membership of ESG forums and groups.

    For Pie Global Growth 2 Fund (part of the Pie Funds Management Scheme)

    f. Investing primarily in companies and ETFs with lower carbon emissions and fossil fuel reserves, as indicated in benchmarks chosen by Pie Funds for the Climate Friendly Fund; in research tools provided by Sustainalytics; and from other sources as appropriate.
    g. Including carbon 'footprint' and other climate impacts in the monitoring of company and ESG holdings. Monitoring includes but is limited to changes in holdings within reference benchmarks; and changes in climate impact indicated in research and analysis provided by Sustainalytics.

Synthetic investments

ESG integration is reasonably straight-forward for direct physical holdings but less so for synthetics (e.g. ETFs and index futures). Customising synthetic exposures to comply with Pie Funds' exclusions is likely to be costly and complex and so not in the best interests of our investors.

Nevertheless, Pie Funds will endeavour to ensure when we use synthetic investments, we're aware of exposure to excluded securities. If possible to do so without imposing unnecessary risk or cost, we will choose a different exposure without excluded securities.

Shorts

Pie Funds can take short positions. This ESG policy prevents Pie Funds from investing in companies we have excluded, including through short positions. This is because it is not appropriate to benefit – however the benefit arises – from the activities of excluded companies.

Pie Funds can, however, short companies we have not excluded, where we believe that the ESG risk of their activities has been mispriced by the market.