mint
ASSET MANAGEMENT

Responsible Investing Policy

June 2023

Dates:	Policy Takes Effect: June 2017
Responsible Officer:	Head of Responsible Investment
Relevant To:	All Mint employees - this includes fixed term and temporary or contract employees and contractors and Directors of Mint

Version	Date	Modifier	Document Changes
1	June 2017	Simon Haworth	This policy consists of material previously contained in the Risk Framework. It was considered appropriate to move this material into a standalone policy
2	July 2018	Rebecca Thomas	Updated for changes to CIO / Head of Investments roles
3	January 2020	Anthony Halls	Updated Exclusions and added specific Climate Change wording
4	January 2021	Anthony Halls	Added comments on Modern Slavery
5	November 2022	Simon Haworth / Dave Fyfe	Recreational cannabis added to exclusion list, further detail on proxy voting and positive screen included.
6	June 2023	Rachel Tinkler	Update to policy and separation of Stewardship policy.

Responsible Investment at Mint

Mint's Responsible Investing Policy explains our approach to responsible investment and ESG integration. This policy applies to all of Mint's funds in varying ways, as explained below, <u>except for</u> Mint's Diversified Alternatives Fund. The Diversified Alternatives Fund sits outside of both our Responsible Investing and Stewardship Policies due to the nature of its investments. While we perform an ESG assessment on the external managers we appoint within the fund (see details below), the results of the assessment do not impact on the managers we ultimately choose. This is in recognition of the limited number of managers available to select from, to give the fund the best chance of meeting its objectives. While a holistic approach to responsible investment and stewardship is preferred, the benefits the Mint Diversified Alternative Fund gains by being exposed to alternative asset classes outweighs any risk we take on by not applying ESG considerations to the chosen investments. We seek to mitigate this exposure somewhat by positively influencing systemic issues in our stewardship activities, as detailed in our Stewardship Policy.

A responsible investment approach recognises there is more that drives investment returns than just what is found in financial reports. Responsible investing has been a core and fully integrated component of Mint's investment management process for a long time. Understanding environmental, social and governance (ESG) risks and opportunities alongside other financial metrics helps us to make better investment decisions.

Overall approach & definitions:

Mint has a fiduciary duty to act in the best interests of our clients. The analysis of ESG issues as an integral part of our investment process enables Mint to make a full assessment of the risks and opportunities associated with investments and thus uphold our fiduciary duty. We also believe considering ESG factors is the right thing to do: we are avoiding unnecessary harm to people and the environment, and society will benefit from companies adopting sustainable principles and processes.[1]

We are a signatory to the United Nations-supported Principles for Responsible Investment (PRI), and agree with their definition of responsible investment: the consideration of ESG issues when making investment decisions and influencing companies.

Mint implements responsible investment in three ways: through ESG integration, stewardship activities, and exclusions.

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[1] Sustainable principles and processes mean a company focuses on meeting the needs of the present, without compromising the ability of future generations to meet their needs.

The PRI defines ESG integration as “the process of including ESG factors in investment analysis and decisions to better manage risks and improve returns”. The PRI defines exclusions as “applying filters to a universe of securities, issuers, investments, sectors or other financial instruments to rule them out, based on poor performance on ESG factors relative to industry peers or specific environmental, social or governance criteria.” Mint agrees with and adopts both these definitions.

Stewardship is defined in our Stewardship Policy.

ESG integration

We believe considering ESG factors enhances long-term risk-adjusted returns and drives long-term value for our investors. In practice, this means we look to understand whether material ESG risks are being adequately managed by a company (both before and during our investment in them), and whether the market has understood and priced the company’s exposure to those risks accordingly.

Below are some of the factors that we consider in our ESG integration approach. Note a definitive list of ESG issues cannot be created, as any such list would inevitably be incomplete and would soon be out of date.

1. **Environmental factors.**
   Mint’s proprietary ESG scoring system (expanded on below) considers a range of environmental aspects of company performance including environmental intensity of business operations, the track record and tangible steps taken in emissions management, the presence of clear policies and strategies, and the presence of products or services that assist others in managing environmental needs.

   Environmental factors are also considered within the context of Mint’s wider stewardship activities. Climate change is one of the most critical environmental issues the world is currently facing. We have prioritised this issue in our engagement programme – please see Mint’s Stewardship Policy for more information.

2. **Social factors.**
   Mint’s proprietary ESG scoring system considers a range of social aspects of company performance including diversity statistics, workplace safety practices and track records, privacy and data practices, and supply chain monitoring and standards.

   Social factors are also considered within the context of Mint’s wider stewardship activities. Modern Slavery is one of the most critical social issues the world is currently facing. We have prioritised this issue in our engagement programme – please see Mint’s Stewardship Policy for more information.

3. **Governance factors.**
   Mint’s proprietary ESG scoring system considers a range of governance factors of a company’s performance including board independence and tenure, whether there is an appropriate mix of skills and diversity, incentive structures, and board responsiveness to investor engagement.

Across all these factors (and more), companies are scored lower if their exposure to these risk areas is higher. Companies are scored lower if their management of these risks is poor. These scores feed into an overall qualitative score and will affect the overall weighting of the stock in a fund.

Mint's funds are created through an established, clearly defined investment process. ESG integration is part of that process and has been for a long time. Our funds implement different investment processes between them and as a result our approach to integrating ESG differs too.

ESG integration – single-asset funds

This section applies to the Australasian Equity Fund, the New Zealand SRI Equity Fund, and the Australasian Property Fund.

These funds – what we call our single-asset funds – invest only in Australasian equities, with most of these investments located in New Zealand. Given the experience of our single-asset team and their location in New Zealand, we conduct our own proprietary ESG scoring of investments rather than relying on a third-party research provider.

Mint's proprietary ESG scoring questionnaire provides a prompt for our analysts and portfolio managers to consider the range of ESG risks and opportunities that could affect a company (examples of factors considered are listed above). The questionnaire must be completed as part of the research conducted on each company, before we invest, and is incorporated into the analyst or portfolio manager's company research notes. Scores are given a weight in our qualitative screen. This creates a significant hurdle for companies with poor ESG performance or management to enter into the portfolio.

Analysts and Portfolio Managers build up an overall Conviction Score from this qualitative score and a quantitative score. The Conviction Score is used to rank companies in the investment universe for potential inclusion in the portfolio. Companies with strong ESG scores are promoted within the Conviction list (and vice-versa), from which the model portfolio is constructed. This means if there were two companies with all other factors equal, the company which is the better performer from an ESG risk perspective (i.e., has a lower risk exposure and/or manages these risks well) will have a larger weighting in the model portfolio. The ESG portion of the Conviction Score is also given a double weighting within the NZ SRI Equity fund, compared to the other funds.

This model portfolio is then used as an input to the final portfolio, alongside investment team reviews and current market considerations. The final decision on portfolio construction is the responsibility of the respective Portfolio Manager.

ESG integration – multi-asset funds

This section applies to the Diversified Income Fund and the Diversified Growth Fund.

These multi-asset funds invest in both equity and debt instruments in New Zealand, Australia and around the globe. Our multi-asset funds have a wider mandate and invest across two asset classes, so we take a different approach to ESG integration with these funds. Instead of a proprietary scoring system, we rely on scores from Sustainalytics, a third-party research provider who has the resource and coverage to better understand the ESG risks facing global names.

We use Sustainalytics' ESG Risk Ratings and Controversy scores. The ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks, and how well the company is managing those risks. The three building blocks are corporate governance, material ESG issues and idiosyncratic ESG issues. A score of between 1 and 100 is produced, with the higher the score meaning the higher the risk. Sustainalytics' Controversy scores identifies companies involved in incidents that may negatively impact stakeholders, the environment, or the company's operations. If an incident occurs, it will be given a score between 1 and 5, with 5 being the most severe. Again, a company's management (or mismanagement) of the controversy makes up part of the score.

For these multi-asset funds, we apply a weight to the ESG Risk Rating score in our quantitative model alongside other factors such as value, size and momentum. This means if two companies are ranked as equal on all other factors, the one with the better ESG Risk Rating score will be given a higher weight in the portfolio. Then, as an extra layer of protection, any companies that have a controversy risk rating of 4 or 5 are excluded from the fund.

External Manager Assessment - Mint Diversified Alternatives Fund

ESG integration is not applied to this fund. For the external managers appointed, we assess the following:

- Whether the manager is a signatory to the PRI.
- The governance structure and senior-level oversight and accountability.
- Policies or guidelines on ESG integration and exclusions.
- Policies or guidelines on stewardship & proxy voting.
- ESG disclosure in regular client reporting.
- Resourcing and incentives.

The results of this analysis do not impact on the managers we ultimately choose to allocate to within the fund. We perform this analysis on an annual basis.

Risk-Return trade offs

ESG risks are ever-present but need to be assessed over a long-term time horizon. Similarly, ESG opportunities are long-term value drivers. Therefore, incorporating an ESG framework into our investment process aligns with our fiduciary duty to act in the best interests of our clients, as we aim to grow their wealth over the long-term.

There can, at times, be a conflict between seeking to achieve both financial outcomes and non-financial objectives in our funds. For example, many decarbonisation technologies are not yet at scale, so it could impact the short-term financial returns of one of our investee companies if they invest in a costly new system – but the investment would be positive from an ESG risk perspective. In this situation, we prioritise the long-term view and would support the expenditure by the company (assuming it was part of a considered, strategic capex program).

Another example is that a profitable investment in one of our portfolios starts producing an item that is on our exclusion list – such as tobacco. Production of tobacco is a profitable revenue stream, but we know tobacco causes unnecessary harm to people. In this situation, we would divest (as soon as practicable, with consideration of our clients' interests in doing so).

Exclusions

Exclusions, which we also refer to as negative screening, means applying filters to a universe of investments to rule them out, based on specific environmental, social or governance criteria. Mint's exclusion approach differs across our direct and indirect investments. Direct investments are a purchase of share or debt instrument of a company or a sovereign. Indirect investments include pooled investment vehicles such as third-party managed funds and exchange-traded funds (ETFs).

Exclusions – direct investments

Mint's exclusions are decided based on two beliefs we have. Firstly, that the sectors and activities we exclude are unnecessarily harmful to society and the environment. Secondly, that the ESG risks the excluded companies face by being involved in the excluded sectors/activities are not justified or commensurate with any level of return.

The revenue threshold of all Mint's exclusions is 0%. This means there is not any allowance for even a small amount of revenue a company might earn from an excluded activity. The sectors and activities excluded do differ across funds – this reflects that the processes and ESG integration followed by each fund is also different. A detailed list of our exclusions is in Appendix A.

Exclusions – indirect investments

Our exclusions list does not apply to any indirect investments we hold. Mint's Diversified Growth Fund and Diversified Income Fund are permitted to hold indirect investments. Mint's Diversified Alternatives Fund is completely made up of indirect investments. But as they are externally managed, we have no control over the individual holdings and in many cases do not have visibility of the holdings. Therefore, we may have some indirect exposure to some sectors or activities that would otherwise be excluded if it were a direct holding. Especially in the context of the Diversified Alternatives fund, tailoring these indirect investments to comply with our Responsible Investing Policy would be so complex and expensive that doing so would have a worse impact on clients' interests than some indirect exposure to excluded names. On balance, the advantages for risk management we can gain through use of these indirect investments outweighs the risk we take of indirect exposure to excluded names.

Memberships and Signatory Commitments

Mint is a member of or a signatory to a number of organisations, listed below. We take time when considering whether or not to join these groups, to ensure they are of value to us and our clients.

1. **Principles for Responsible Investment (PRI)**
   Established by the United Nations, the PRI aims to provide a consistent framework for reviewing business practices across industries & companies, and incorporating ESG factors into investment and ownership decisions. To evidence our commitment to responsible investment, and to hold us accountable to that commitment, Mint is a signatory. As a signatory, we make an explicit commitment to the PRI's six principles. We report on our progress against the principles annually; our latest transparency report is available on our website.

   Responsible investing is a significant growth area, but it is crucial that organisations participate authentically to influence real change. Reporting to a global, best-practice framework allows Mint to evidence that we're doing what we say we're doing and compare our performance to peers. We can also access collaborative engagements and collaborative proxy voting activities, as well as numerous resources, through being a signatory.

2. **Responsible Investment Association Australasia (RIAA)**
   Mint is a member of RIAA. As members, we support RIAA on their mission to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment, and economy. As well as providing access to numerous resources and two annual conferences at the forefront of the Responsible Investing space, RIAA has a few working groups that members can join. These working groups provide us access to specialists across the globe, resources built specifically for the investment community, and collaborative engagements, amongst other advantages.

3. **Aotearoa New Zealand Stewardship Code**
   Mint is a signatory to the Aotearoa NZ Stewardship Code. The code, launched in December 2022, gives signatories a framework with which to engage with investee companies on ESG issues. The first report from all signatories is due in December 2024. The code also provides a forum for information sharing, as local managers look to increase their stewardship activities. Importantly, it also provides access to a group of investors willing to undertake collaborative engagements, which has been a gap in the New Zealand market until now.

4. **Task Force on Climate-Related Financial Disclosures (TCFD)**
   Mint is a public supporter of the TCFD, which was established by the Financial Stability Board and G20 leaders in 2015 and published climate-related financial disclosure recommendations in 2017. These recommendations are designed to help companies provide better information on the risks and opportunities they face in relation to climate change. The New Zealand Climate Standards, or mandatory climate-related reporting, closely follow the TCFD framework, and Mint will voluntarily produce our first report by July 2024. Being a public supporter of the TCFD is an important step in addressing the systemic issue of climate change – see our Stewardship Policy for more information.

5. **FAIRR**
   Mint is a member of the FAIRR Initiative – a $70 trillion investor network helping to build a more sustainable food system by raising awareness of the material risks and opportunities present in global protein supply chains. FAIRR stands for Farm Animal Investment Risk and Return, but the work they do covers a wide-reaching range of issues – from emissions, factory working conditions, anti-microbial resistance and agricultural subsidies. Our membership of FAIRR gives us access to resources and experts that we otherwise would have a hard time accessing. It also allows us to upskill on the issues they aim to address and bring them into the New Zealand context (Mint is the only NZ-based investor). FAIRR also facilitate collaborative engagements amongst members.

6. **Toitū**
   Mint has achieved our second year of Toitū net carbonzero certification. Our pathway toward the Toitū certification has helped us to identify, measure and set reduction goals for our greenhouse gas emissions. Our focus remains on what we can do as a business to reduce our footprint sustainably. Toitū reporting is by Mint as a company, not our investments, but it is important for us to show we are 'walking the walk'. Our engagement programme, launched in June 2023, targets companies that are not yet reporting on their greenhouse gas emissions. Our involvement in Toitū allows us to more authentically have these conversations with companies.

Oversight, implementation and monitoring

The Responsible Investing and Stewardship Policies are authorised by Mint's Head of Responsible Investment. The policies are monitored as part of the overall suite of company policies. Reviews are reported to the Compliance Manager, the COO and the CEO.

Mint's Head of Responsible Investment has ultimate responsibility for implementing Mint's approach to responsible investment and the policies, supported by the COO and CEO. All investment team members have a responsibility to implement this approach, as part of their daily duties. Each Portfolio Manager is responsible for the overall ESG settings in their portfolios and ensuring they align with these policies. The operations team are responsible for maintaining the exclusions list, and monitoring of the list.

Review

This Policy is reviewed annually or more frequently if required.

Appendix A - **Excluded Sectors and Activities**

Sector	**Rationale**	**Revenue threshold**	**Mint Funds exclusions apply to:**
Tobacco production, including nicotine alternatives and electronic nicotine delivery systems	Social impact; WHO Framework Convention on Tobacco Control 2005; The Smoke-free Environments Act 1990, and subsequent amendments.	0%	All Mint funds except the Diversified Alternatives Fund.
Controversial weapons production, including: • Nuclear weapons • Cluster munitions • Anti-personnel mines • Chemical and biological weapons • Automatic & semi-automatic firearms, magazines & parts	Social Impact; Cluster Munitions Convention signed by the New Zealand Government in 2008; Treaty on Non-proliferation of Nuclear Weapons; New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987	0%	All Mint funds except the Diversified Alternatives Fund.
Fossil Fuel Extraction, including: • Integrated Oil & Gas • Oil & Gas exploration and production • Coal Mining	Environment Impact; The Paris Agreement within the United Nations Framework Convention on Climate Change (signed and ratified by NZ in 2016). The Climate Change Response (Zero Carbon) Amendment Act 2019	0%	All Mint funds except the Diversified Alternatives Fund.
Pornography production	Social Impact; The Child Pornography Prevention Act 1996	0%	All Mint funds except the Diversified Alternatives Fund.
Recreational cannabis, including: • Cultivation or manufacture of cannabis plants and products for recreational use • Supply of cannabis plants for products for recreational use	Social Impact; Misuse of Drugs Act 1975 *[This exclusion makes distinction between recreational cannabis which is illegal in NZ, and medicinal cannabis which was legalised through amending the above Act via the Misuse of Drugs (Medicinal Cannabis) Regulations 2019]*	0%	All Mint funds except the Diversified Alternatives Fund.
Whale Meat Processing	Environment Impact; NZ membership of the International Whaling Commission which has had a moratorium on commercial whaling since 1982.	0%	All Mint funds except the Diversified Alternatives Fund.
Casinos / Gambling	Social impact	0%	Mint NZ SRI Equity Fund only.

The Mint Diversified Alternatives Fund invests through external managers. Our exclusions do not apply to this fund.