



QUAYSTREET
ASSET MANAGEMENT

Socially Responsible Investment Policy

February 2023

Version 5

Introduction

This Socially Responsible Investment Policy ("Policy") outlines the process by which Smartshares Limited ("Smartshares") determines what constitutes a socially responsible investment ("SRI") and the nature of the criteria and assessment we undertake when making investment decisions in respect of those QuayStreet Funds ("Funds") which include SRI ("SRI Funds"). This Policy outlines requirements for the portfolio construction process for the SRI Funds so that investors can compare and evaluate the investment principles underpinning the SRI Funds against their own investment beliefs and values.

Scope of Policy

This Policy applies to the investment management services provided by Smartshares to all SRI Funds. Currently, this is solely the QuayStreet Socially Responsible Investment Fund. This Policy covers all investment asset classes and security types in the SRI Funds, unless specified otherwise.

Approach to Socially Responsible Investing

For the SRI Funds, the approach is to achieve strong investment performance whilst ensuring that high levels of ethical and ESG standards are met. This is achieved through our SRI screening methodology and ESG evaluation, which is conducted in respect of each investment included within an SRI Fund.

This Policy outlines how the SRI screening and ESG evaluation process is conducted, monitored and integrated into SRI Fund portfolio construction.

SRI Screening Methodology

Exclusionary Screening

Exclusionary screening involves identifying commercial activities that are deemed to have a negative influence on the society and/or the environment. The following table sets out a list of commercial activities that are included in the SRI exclusionary screening process for the SRI Funds:

Exclusion	Description of types of commercial activities that excluded
Tobacco	Tobacco farming, manufacture of cigarettes and cigars.
Alcohol	Manufacture of alcoholic beverages, distillers, brewers, vineyards and vintners.
Gambling	Casinos, betting services, gambling, mobile and online gambling, lotteries and racetracks.
Fossil Fuels	Oil & gas producers, exploration and production, refining, oil drilling and coal mining.
Nuclear	Uranium mining and nuclear weapons.
Weapons	Manufacture of guns, rifles, shotguns, automatic firearms, missiles, rockets, ballistics, combat weapons and bombs.
Adult Entertainment	Pornography, adult clubs & services.

Using publicly available information, entities that generate any level of revenue from the activities listed above are identified and investment in those entities is excluded by setting trade restrictions in pre-trade compliance systems. These controls are applied only to the SRI Funds.

If, using publicly available information, we identify that an entity whose securities are held in an SRI Fund's portfolio begins to generate any level of revenue from any of the activities listed above (i.e. due to an acquisition or change in business strategy), Smartshares will divest the interest in that entity within a reasonable timeframe depending on general and specific market factors, including, transaction costs and liquidity.

Evaluation of Environmental, Social and Governance ("ESG") Factors

For the SRI Funds, there is also an analysis of non-financial ESG-related risks and opportunities. This process involves understanding and determining the materiality, exposure and the timeframe in which those ESG-related risks and opportunities may materialise.

This is a predominantly qualitative based assessment framework that seeks to understand the level and type of environmental and social impact an entity currently has and how that may change in the future. The governance structure of an entity is also evaluated to determine if it is supportive of achieving positive outcomes for all of its primary stakeholder groups. Based on this analysis and evaluation of relevant underlying ESG-related factors, an overall score ranging from 1 (worst) to 10 (best) for each individual ESG factor that has been evaluated is given.

The extent of ESG integration in the SRI Fund portfolio construction process is determined as follows:

1. For each entity being assessed as suitable from an SRI perspective, each ESG factor must have a score of 5 or higher.
2. The SRI Fund will seek to invest in higher ESG scoring entities as long as it does not compromise the SRI Fund's overall risk and return objectives.

If an existing investment in an SRI Fund portfolio does not meet the ESG scoring criteria specified above, we will seek to divest that investment from the SRI Fund within a reasonable timeframe depending on general and specific market factors, including, transaction costs and liquidity.

Some of the key considerations evaluated as part of the ESG analysis framework for SRI Funds are outlined in the following table.

ESG Factor	Primary Focus	Example of Considerations	
Environmental	Impact on Climate Change	Carbon Emissions	Financing Emissions Exposure
		Product Impact on Emissions	Vulnerability to Climate Change
	Natural Resources Usage	Consumption of Raw Materials	Land Usage
		Biodiversity Impact	Water Usage
	Pollution and Toxic Waste	Toxic Emissions	Level of Recycling
		Product Packaging & Content	Opportunities in Recycling
	Environmental Opportunities	Clean Energy Development	Renewable Energy Exposure
		Level of Energy Efficiency	Carbon Reduction
Social	Human Capital	Employee Relationship	Development/Education of Staff
		Occupational Safety & Health	Supply Chain Labour Standards
	Impact on Society	Product Quality & Safety	Privacy/Data Security
		Controversial Sourcing	Demographic Shifts
	Social Opportunities	Social Infrastructure	Supporting Communities
		Free Access	Nutrition & Health
Governance	Corporate Governance	Skills & Experience of the Board	Risk Controls & Management
		Quality of Management	Alignment with Shareholders
	Corporate Behaviour	Executive Pay	Use of Company Resources
		Corporate Culture & Corruption	Anti-Competitive Practices
	Transparency	Quality of Reporting	Lobbying Activities
		Tax Strategy	Corporate Policies & Reporting

Active Ownership

The SRI Funds have an opportunity to exert influence on entities in how they conduct their business, improve transparency, promote good corporate governance and advocate for sustainability.

This is achieved through the exercise of voting rights through proxy voting, or directly engaging with entities the SRI Funds seek to have an investment relationship with.

In regard to voting and corporate actions, the relevant proposals are assessed and votes submitted in a manner that supports best practice standards and positive outcomes for investors in the SRI Funds.

Some of the key elements of the governance assessment framework in respect of entities that the SRI Funds seek to invest in are described below:

- Board members of the entity act in the best interest of shareholders and other stakeholders.
- The entity's Board is comprised of members who have the necessary skills and experience to exercise their duties in the best interest of shareholders and other stakeholders.
- The entity ensures its behaviour and business practices are lawful and ethical.
- All shareholders have a right to participate in the governance of the entity on a fair and equal treatment basis.
- The entity's Board and its committee(s) are structured to act independently from management, of the entity.
- There are appropriate controls and procedures in place ensuring the entity's Board has effective and frequent oversight of entity operations.

Engagement

Ongoing corporate engagement offers the opportunity to develop a greater understanding of business risks and opportunities that entities face, as well as ESG-related matters. It also provides a line of communication which permits the sharing of feedback on entity strategy, practices or disclosures, in particular in circumstances where these elements could be enhanced. This type of engagement is usually conducted through direct discussions with the entity's executives or its board of directors.

If a severe ESG-related issue arises in respect of an entity in which an SRI Fund is invested, Smartshares will attempt to engage directly with the entity and endeavour to address and resolve that particular issue. The conversations that arise as a result of corporate engagement are kept confidential in order to encourage trust and openness with the entity in question. If a resolution or an adequate response is not achieved or obtained in a timely manner, we may seek to divest an SRI Fund's entire exposure to the relevant entity in a prudent and cost minimising manner taking account of general and specific market factors, including, transaction costs and liquidity.

Policy Review and Accountability

This Policy is reviewed at least annually or more frequently, if required. Execution and compliance with this Policy rests with Smartshares' Chief Investment Officer.

Policy Control Page

Owner (Name, Title, Business)	Stuart Millar, Smartshares, Chief Investment Officer
Entities this Policy is Applicable to:	Smartshares Limited (acting as manager of the QuayStreet Socially Responsible Investment Fund)
Approval	Smartshares Board of Directors
Review Cadence	Every year
Next Review to be no later than:	February 2024

Review Log

Date	Review Action	Liaison Points
May 2019	Policy created	Stefan Stevanovic
December 2019	Biannual review	QuayStreet Investment Team
October 2021	Biannual review	QuayStreet Investment Team
September 2022	Review following FMA Feedback letter in relation to the 'Disclosure framework for integrated financial products' guidance.	QuayStreet Investment Team and CIP Product, Legal & Compliance
February 2023	Review following change of manager from QuayStreet Asset Management Limited to Smartshares Limited	Smartshares investment, product, legal and compliance teams