Responsible Investment Policy Statement

What is Responsible Investing?

Responsible Investing (RI) normally focuses on selecting investments where, in addition to the normal financial criteria, consideration is also given to how seriously a company takes its environmental, social and governance (ESG) responsibilities in mitigating the negative aspects its business activities may have on the wider community and environment. RI does not typically just rule out investing in any sector or company. It simply means including ESG information in investment decision-making. However, all companies in some controversial sectors can end up being excluded based on the depth of their social impact (eg cluster bomb manufacturers).

Socially Responsible Investing (SRI), on the other hand, typically only excludes certain sectors or industries. Exclusions can be based on values, ethical or moral grounds, and cover areas such as alcohol, gambling, tobacco, all weapons and, more recently, fossil fuels.

In short, RI includes ESG factors – a positive approach – while SRI excludes investments based on certain criteria – negative screening.

What are examples of ESG factors?

There are many environmental, social and governance factors, which often shift. Investment managers will typically assess companies on some or all of these factors and score them. Typically, they include:

Environmental

- Climate change
- Greenhouse gases
- Overuse of resources
- Waste & pollution

Social

- Working conditions
- Child labour
- Community impact
- Health & safety

Governance

- Board diversity & structure
- Pay level
- Bribery & corruption
- Lobbying & donations

Current Booster Policy

Booster offers three explicit SRI fund options to Booster Investment Scheme investors, each of which follow ESG principles, but which initially exclude all investments that are inconsistent with certain values-based criteria.

Specifically, investments in directly held companies and managed fund investments with more than an incidental proportion of revenue generated from the following activities are excluded:

- Alcohol Production
- Gambling Operations
- Tobacco Production, Distribution, Supply and Retailing
- Military Weapons Manufacturing
- Civilian Firearms Production, Distribution, Supply and Retailing
- Nuclear Power Production and Uranium Mining
- Fossil Fuels Exploration, Extraction, Refinement, Distribution, Supply and Retailing
- Adult Entertainment Content Production
- Genetically Modified Organisms (GMO), excluding Research and Development

For all of the other Booster Investment Scheme fund options, Booster continues to support the global trend towards incorporating broader ESG considerations into all investment analysis and decision-making. In this regard, we are guided by the Principles for Responsible Investment as developed by institutional investors and convened by the United Nations.

In addition, for all other funds, Booster excludes directly investing in any companies involved in the following activities:

- Controversial Weapons Production, Manufacturing, Distribution and Supply
- Nuclear Weapons Manufacturing, including Components Manufactured Exclusively for Use
- Nuclear Weapons Auxiliary Services
- Tobacco

It is also Booster's policy to exclude investments in unlisted managed funds and listed Exchange Traded Funds (ETFs) which may have an incidental exposure to companies involved in the above activities. However, from time to time, in gaining desirable exposure to some broader global investment themes via either managed funds or ETFs, some incidental exposure to these companies may be unavoidable.

Future Booster Policy Directions

In the pursuit of a robust RI policy it is important that fundamental investment principles are not compromised – specifically diversification and effective risk / return outcomes. The former can easily be undermined through a highly concentrated RI portfolio, and the latter can be significantly affected if well-run companies are otherwise excluded because they happen to fall under the "wrong" category.

We also make the following current observations:

1. Some care must be taken when describing investments as "ethical" or "socially responsible", particularly if this implies that investments not explicitly adopting such policies are either "unethical" or "irresponsible". Most companies listed on the main global stock exchanges are not operating "unethically" or "irresponsibly"; shareholder and customer advocacy should ensure that such companies would not be supported or listed for long.
2. SRI does not need to be an alternative, side option. If it is, it runs the risk identified in 1), i.e. that the non-SRI options are, by implication, "irresponsible".
3. Most investors are not fundamentally looking for "deep green" SRI investments, partly because of what we describe as 'hypocritical discomfort', e.g. investing in a fund that excludes alcohol companies, but drinking wine sold by the very same companies. Most investors typically just want to avoid investing in companies that are blatantly ignoring RI principles. Deep green SRI will always therefore tend to be a small niche.

Whilst offering negatively-screened SRI options, Booster is committed to pursuing a policy of ESG-targeted investment research that applies a more positive filter to the selection process. We believe this policy is more effective and sustainable over the long-term and is one which recognises explicit ESG policies adopted by the companies in the investment universe. In addition, we believe this approach will be far more appealing to investors, compared to the current "easy" option of simply negatively screening.

For more information please contact your financial adviser.

www.booster.co.nz

Booster Investment Management Limited

PO Box 11872, Manners Street, Wellington 6142