



QUAYSTREET  
ASSET MANAGEMENT

## Responsible Investment Policy

September 2022

Version 2

## About the Investment Manager

QuayStreet Asset Management Limited ("QuayStreet") is an investment manager for a range of investment products including the QuayStreet Funds (the "Funds") and the QuayStreet KiwiSaver Scheme. QuayStreet is a fully owned subsidiary of Craigs Investment Partners Limited ("CIP"). CIP is one of New Zealand's largest investment advisory firms, offering tailored investment solutions to private, corporate and institutional clients.

## Scope of Policy

The scope of this Responsible Investment (RI) Policy ("Policy") applies to investment management services provided by QuayStreet across its entire suite of investment Funds except those that are governed and are managed according to QuayStreet's Socially Responsible Investment ("SRI Policy").

## Philosophy to Responsible Investing

QuayStreet defines responsible investing as an incorporation of environmental, social and governance ("ESG") factors within its investment decision-making framework. It is our belief responsible investing helps improve risk management and generation of long-term returns.

As an investment manager, QuayStreet has a duty to act in the best interest of its clients and we recognise that the integration of ESG principles within its investment process allows it to fulfil this duty more completely.

The primary objective of incorporating ESG considerations within its investment framework is to assess and consider how much influence ESG factors may have on financial performance and overall portfolio risk. This is applied within an investment decision-making process that seeks to achieve strong financial outcomes for our clients.

## Example of ESG Factors and Considerations

Below is a list of ESG factors and considerations QuayStreet will take into account when assessing the suitability of an entity from an investment perspective. This is not an exhaustive list and may not apply to every entity being assessed.

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

## Approach to Responsible Investing

Each Fund is managed in accordance with its respective objectives and constraints as outlined in its Statement of Investment Policy and Objectives (“SIPO”). Application of RI within a Fund, except those Funds that are governed by the SRI Policy, will be undertaken in a manner that ensures that each such Fund will continue to be managed in accordance with its SIPO.

Application and use of ESG factors and considerations in respect of RI will be undertaken in a manner that provides a deeper understanding of risks and opportunities an entity may face. Both ESG risks and opportunities can have an impact on investment performance and can materialise over a short or long-term timeframe. As an active manager, QuayStreet considers ESG analysis and monitoring as part of their normal day-to-day investment management duties.

## Exclusions

Consistent with our investment philosophy, QuayStreet may exclude investment in entities whose business operations, products or services have a detrimental impact on society and/or the environment.

When determining its exclusion criteria, QuayStreet will consider:

- The ultimate purpose of the exclusion and how this serves our clients, society and other stakeholders.
- New Zealand laws and regulatory prohibitions concerning investment in certain entities or assets.
- Level of impact that exclusions may have on investment risk and return objectives and overall Fund portfolio construction.

## Current set of Exclusions

From the date this Policy was last reviewed, QuayStreet has determined it will exclude direct investment in entities that undertake business operations across the following activities:

Exclusion	Description of types of commercial activities that are captured
Tobacco	Tobacco farming, manufacture of cigarettes and cigars.
Weapons	Manufacture of cluster bombs, landmines, bio-weapons and nuclear weapons

Using publicly available information, QuayStreet seeks to identify entities that generate any level of revenue from the activities listed above and precludes investment in those entities by setting trade restrictions in its pre-trade compliance systems.

In the event that an entity whose securities are held in a Fund portfolio that is governed by this Policy, begins to generate revenue from any of the activities listed above (i.e. due to an acquisition or change in business strategy/operations), QuayStreet will seek to divest its interest in that entity as soon as practically possible. Such divestments will be executed in a manner to avoid incurring excessive costs or causing significant market impact or disruption.

## Externally Managed Investments

QuayStreet may direct investments to other external managers or collective investment vehicles ("CIV's") such as Exchange Traded Funds ("ETFs").

When investing with an external manager or a CIV, QuayStreet will assess factors such as the issuer's credentials, investment process and framework, liquidity, fund size, management team, lock in periods, costs and any additional operational or compliance requirements.

QuayStreet will also assess and ensure that the externally managed investments do not have underlying investments in entities that are involved in any activities that are specified in the current set of exclusions criteria in this Policy. If an externally managed investment does hold securities in an entity which is captured with this Policy's exclusions criteria (i.e. due to a recent acquisition), QuayStreet will seek to divest its interest in that entity as soon as practically possible. Such divestment will be executed in a manner to avoid incurring excessive costs or causing significant market impact or disruption.

## Active Ownership

QuayStreet recognises it has an opportunity to exert influence on entities in how they conduct their business, improve transparency, promote good corporate governance and advocate for sustainability.

QuayStreet achieves this through exercising voting rights on behalf of its clients through proxy voting, or directly engaging with entities it seeks to have an investment relationship with.

In regard to voting and corporate actions, the investment team will assess the relevant proposals and submit votes in a manner that supports best practice standards and positive outcomes for investors.

Some of the key elements of the governance assessment framework the investment team focuses on in respect of entities it seeks to invest in is described below:

- Board members act in the best interest of shareholders and other stakeholders.
- The 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 Board and its committee are structured to act independently from management of the entity.
- There are appropriate controls and procedures in place ensuring the Board has effective and frequent oversight of entity operations.

## Engagement

Ongoing corporate engagement offers the opportunity for QuayStreet 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 QuayStreet to share feedback on entity strategy, practices or disclosures, in particular in circumstances where the Investment Team believes that these elements could be enhanced. This type of engagement is usually conducted through direct discussions with the entity executives or its board of directors.

If a severe ESG-related issue arises in respect of an entity for which a Fund that is governed by this Policy is invested in, QuayStreet will attempt to engage directly with the entity and seek for the purposes of trying 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, QuayStreet may seek to divest the entire exposure of that entity that is in a Fund in a prudent and cost minimising manner.

## Organisational and External Participation

QuayStreet will engage and collaborate with other credible organisations involved in promoting or influencing responsible and sustainable investment.

## Policy Review & Record Keeping

This Policy is reviewed at least annually or more frequently, if required. Execution and compliance with this policy rests with the QuayStreet Investment Team.

## Policy Control Page

<b>Owner (Name, Title, Business)</b>	Andrew South QuayStreet Chief Investment Officer
<b>Entities this Policy is Applicable to:</b>	QuayStreet Asset Management Limited
<b>Approval</b>	QuayStreet Board of Directors
<b>Review Cadence</b>	Every year
<b>Next Review to be no later than:</b>	October 2023

### Review Log

<b>Date</b>	<b>Review Action</b>	<b>Liaison Points</b>
May 2019	Policy created	Stefan Stevanovic
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