Aurora Capital Responsible Investment Policy

2 MAY 2025

OUR COMMITMENT TO RESPONSIBLE INVESTING

At Aurora Capital, responsible investing is at the heart of our investment philosophy. We believe it is possible to grow our clients' wealth while contributing to a more sustainable future. We see responsible investing not just as a duty, but as a powerful opportunity to create positive change—for our clients, for society, and for the planet.

A key focus of our Responsible Investment (RI) policy is addressing the investment risks and opportunities associated with climate change. We aim to invest in assets that are not only positioned for long-term growth but also support the transition to a low-carbon economy. We believe that companies working toward a more sustainable world are more likely to deliver long-term value and therefore generate better investment returns. Conversely, we actively avoid investing in businesses we believe have a harmful impact on the environment or society. In our view, significantly reducing carbon emissions is essential to mitigating the risks of global warming and ensuring a stable future.

While all Environmental, Social and Governance (ESG) factors are important, we prioritise strategies that support climate resilience and environmental sustainability. Carbon emissions, in particular, present a material risk to investment portfolios, and we manage this risk with the same rigour as other investment risks. Unmanaged, carbon emissions can undermine investment returns in several ways:

- **Regulatory impacts:** Policy changes and new environmental regulations may directly affect company profitability and long-term viability
- **Stranded assets:** Companies may face significant value loss if assets become obsolete or non-viable due to shifts in demand or the cost of carbon
- **Physical climate risks:** The growing frequency of extreme weather events and rising sea levels can lead to operational disruption and asset devaluation

By actively managing these risks and seeking opportunities aligned with a more sustainable future, we aim to deliver long-term value for our clients—while contributing to the broader goal of environmental and societal progress.

OUR RESPONSIBLE INVESTMENT APPROACH

At Aurora Capital, responsible investing is not a single tactic—it's a comprehensive approach that underpins how we build portfolios for long-term value and positive impact. We use a combination of strategies, including ESG integration, exclusions, and sustainability-focused investing, to ensure our investment decisions align with both financial and ethical goals.

1. ESG Integration

Environmental, Social, and Governance (ESG) factors are embedded into our investment analysis and decision-making processes. By identifying and managing ESG-related risks, we aim to build more resilient portfolios and avoid exposures that may threaten long-term returns. While we consider all ESG factors, we place particular emphasis on strategies that support a low-carbon future and reduce harm to the climate and environment.

2. Exclusions

We actively exclude companies that, in our view, cause more harm than good to society or the environment. This includes industries or practices that are inconsistent with our values or investment beliefs. We regularly monitor portfolio holdings to ensure ongoing compliance with our exclusions policy, maintaining the integrity of our responsible investment approach.

3. Sustainability and Positive Impact

Avoiding harmful investments is only part of the solution. We must also actively support innovation and progress to address the root causes of environmental challenges—such as high carbon emissions. That's why we invest in companies and initiatives that are leading the transition to more sustainable industries and practices. We believe that companies making a measurable positive contribution to society and the environment are better positioned to deliver long-term performance.

Aurora Capital supports the United Nations Sustainable Development Goals (SDGs), which provide a global framework for building a better, more sustainable future. While we recognise the importance of all 17 SDGs, our investment focus prioritises those most aligned with climate and environmental outcomes:

- SDG 7 – Affordable and Clean Energy
- SDG 9 – Industry, Innovation and Infrastructure
- SDG 11 – Sustainable Cities and Communities
- SDG 13 – Climate Action

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By aligning our investments with these goals, we seek to deliver strong, sustainable returns for our clients – while contributing to the solutions needed for a more sustainable planet.

Figure 1: We use a mix of responsible investing strategies and prioritise the climate and environment.

HOW WE IMPLEMENT OUR RESPONSIBLE INVESTMENT POLICY

At Aurora Capital, our commitment to responsible investing extends beyond intention—it is embedded in the structure, selection, and oversight of every fund we manage. Our investment approach is designed to ensure that our portfolios support positive environmental and social outcomes, while delivering long-term value for our clients.

Aurora Funds and Strategies

Across our suite of funds and strategies (excluding the Aurora Liquidity Fund), we monitor and report on how each investment option aligns with our four priority SDGs—Affordable and Clean Energy (SDG 7), Industry, Innovation and Infrastructure (SDG 9), Sustainable Cities and Communities (SDG 11), and Climate Action (SDG 13)—as well as broader sustainability objectives (the other SDGs). This transparency helps us ensure that our portfolios remain aligned with our sustainability values.

Underlying Fund Managers

Aurora Capital invests through a carefully selected group of underlying fund managers. While managing responsible investments through third-party pooled vehicles presents some challenges, we conduct rigorous due diligence before making any manager appointments. Our selection process considers:

- The manager's ESG integration into their investment decisions
- Their exclusions policy
- Their commitment to sustainability
- The calibre of the investment professionals
- The rigour of their investment process
- The business structure and its alignment with clients

Every manager must meet the standards outlined in our Responsible Investment Policy and our Investment Manager Selection and Monitoring Policy. These standards are applied not just at the outset but through ongoing review of both financial and non-financial performance.

Equity Funds

We apply strict exclusion criteria within the underlying equity funds of the Aurora First Home Buyer Strategy, Aurora Conservative Fund, Aurora Balanced Strategy, Aurora Growth Fund and the RetirementPlus Strategy. We exclude stocks with the following business practices and business involvement criteria:

BUSINESS PRACTICE	BUSINESS INVOLVEMENT CRITERIA
Coal	Revenue from the extraction and sale of coal to external parties.
Evidence of fossil fuel reserves	Reserves are resources that are still in the ground. This is based on an estimate of carbon dioxide produced if a company's reserves of oil, gas, and coal were converted to energy. The worst 5% of potential carbon dioxide emitting companies, based on reserves, are excluded or underweighted from the eligible universe. This screening can be expected to reduce exposure to companies with reserves to close to zero.
Factory farming	>20% of revenue from sectors related to factory farming.
Palm oil	>20% of revenue from palm oil farming and/or palm oil processing.
Controversial weapons	Involvement in the manufacture of cluster munitions or anti-personnel mines or their key components, chemical and biological weapons, or depleted uranium ammunition and armour.

Nuclear weapons components, systems and support services	Involvement in the manufacture of components of nuclear weapons or systems that are capable of the delivery of nuclear warheads, or provision of support services related to nuclear weapons (such as the repair and maintenance of nuclear weapons).
Tobacco	Involvement in the production of tobacco products, or >10% of total revenue related to tobacco products.
Child labour	Involvement in severe controversies related to child labour practices.
Gambling	>10% of revenue from the ownership or operation of gambling facilities, or from the support or services to the gambling industry.
Adult entertainment	>10% of revenue from the production, distribution or retailing of adult entertainment products.
Personal firearms	Involvement in the manufacture of handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian (nonmilitary) use, or >20% of revenue from distribution of personal firearms.

Fixed Income Funds

Our responsible investment principles also apply to our underlying fixed income funds. Our global fixed income funds consist entirely of green, social, and sustainability bonds—securities designed to fund projects with measurable environmental or social benefits. Our New Zealand fixed income funds consist of more traditional securities and are managed using the same exclusion criteria as those used for our equity portfolios.

Cash Fund

The Aurora Liquidity Fund accesses a low-risk underlying fund that only invests in New Zealand cash and cash equivalent securities, such as bank bills, floating rate notes and short-term deposits. While its primary focus is capital preservation, social and governance factors are still considered. The fund manager excludes companies involved in:

- Manufacture, maintenance or delivery of cluster munitions, anti-personnel mines, chemical or biological weapons
- Manufacture or testing of nuclear explosive devices (NEDs)
- Production and manufacture of, or essential or significant involvement in the distribution and sale of, tobacco
- Production of civilian firearms

Managing Exceptions

We undertake ongoing monitoring of the companies and securities in the portfolios to ensure compliance with our exclusions and Responsible Investing Policy.

While we strive to fully exclude companies that breach our standards, immaterial exposures may occasionally arise due to the nature of pooled funds. In general, we believe that this minor risk is more than offset by the diversification and investment benefits of holding these companies.

However, if a material breach occurs:

- We investigate the rationale with the underlying fund manager
- If we support the fund manager's rationale, we will add the company to the exceptions register and continue to monitor the investment
- If we do not support the rationale, we will actively engage and agitate with the manager to change their view on the company. As we are investing in pooled vehicles, we cannot direct the manager to sell the security. The company will be added to the exceptions register, with the disclosure that Aurora does not support the investment. If a manager continues to add excluded companies to the portfolio, we will terminate the manager
- Any new addition to the exceptions register is reported to members in our Quarterly Update. We also provide the reason for the exception and why we maintain the holding. The report is available on our website

ONGOING OVERSIGHT

Our Responsible Investment Policy is reviewed annually and approved by the Aurora Capital Board. This ensures it evolves alongside best practices and remains aligned with our investment philosophy and client expectations.

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