AURORA
CAPITAL

Socially Responsible Investment (SRI) Policy

Introduction

The Aurora SRI Policy describes how our socially responsible values are embedded in the way we invest.

We believe that investing in companies with the best environmental, social and governance (ESG) practices make better long-term investments. This is because companies with better ESG risk management tend to exhibit superior returns and lower downside risks over long-term investment horizons than the broader market, and this is well-supported by evidence.

We also believe that companies that are engaged in activities that will help society move towards a more sustainable future will generate better investment returns. We actively avoid companies that, in our opinion, do harm to the environment and society.

At Aurora, we believe that through investment, we can have a positive impact on the planet and, in particular, climate change. We believe, that the level of carbon dioxide (and other gases with global warming potential) entering our atmosphere needs to be substantially reduced in order to prevent the catastrophic heating of our planet. The impact of these gases on our climate therefore poses a material risk to our society and to future generations. Carbon risk is a risk to investment portfolios, and like all investment risks, needs to be managed.

There are two elements to carbon risk that has the potential, if unmanaged, to have a detrimental impact on portfolio returns:

- An increased occurrence in extreme weather events and rising sea levels may damage asset values. Higher temperatures may affect a company's ability to continue to operate normally.
- Companies and governments run the risk of owning 'stranded assets,' in which the value of an asset is substantially reduced due to changes in demand or the cost of carbon being fully priced into its business model.

Aurora's SRI Approach

Our SRI approach incorporates ESG analysis into investment decision making in order to assess the long-term risks associated with underlying investments.

Our SRI approach is implemented through a combination of negative screens, where we exclude sectors, activities and securities that are deemed to have a negative impact on people or the planet and also positive screens, where we allocate capital to sectors of the global economy that are expected to play a material role in improving the health of our planet.

We believe that the challenges we face to tackle global warming, in particular, are such that we need to do more than simply exclude carbon emitting industries but we also need to fund innovations that that will be required to replace legacy carbon emitting processes.

We exclude industries that we believe do more social or environmental harm than good. In most cases these are aligned with New Zealand's legal and regulatory settings, as well as international laws and conventions applicable to New Zealand.

These exclusions are:

- Armament production
- Pornography production
- Tobacco production
- Uranium mining
- Whaling,
- Fossil Fuel Extraction, including:
    - Integrated Oil & Gas
    - Oil & Gas exploration and production
    - Coal Mining

The above exclusions apply to the three Aurora KiwiSaver Funds - Aurora Growth Fund, Aurora Conservative Fund and the Aurora Future Focused Fund. In addition to the exclusions, the Aurora Future Focused Fund also allocates a portion of the Fund (targeting a 20% allocation) to companies that are important in the transition to a healthier planet and a carbon zero future. These include, but are not limited to:

- Companies that produce energy from solar, wind, and other renewable sources;
- Timber & Forestry companies; and
- Companies related to water businesses.

While our ethical and ESG principles restrictions apply predominantly to our equity investments, we also apply these principles to our fixed income securities. The Aurora Future Focused Fund allocates a portion of the fixed income portfolio to green bonds. Green bonds are investment grade global bonds where the use of proceeds are directly tied to promote climate or other environmental sustainability purposes through independent evaluation.

Implementation of SRI Approach.

All of Aurora's funds under management are currently invested in pooled vehicles / securities (e.g. exchange traded funds) for the purposes of efficient execution. Aurora recognises that there are challenges in applying our exclusions to third-party pooled investments. However, we undertake substantial due diligence on any appointed investment manager's ESG approach to ensure alignment with Aurora's stated ESG beliefs.

Aurora's Portfolio SRI monitoring

Aurora's portfolios are monitored for compliance with our ESG processes and exclusions. We receive monthly portfolio holdings from our appointed investment managers from which we can undertake our own ESG review.

There are multiple areas in which we review our portfolios from an ESG perspective:

1. We compare the ESG rating of the portfolios of our appointed managers against the broader market to ensure the ESG scores are well above the peer group.
    - For the Aurora Growth Fund and Aurora Conservative Fund, we use Morningstar's Fund Analysis, which compares the relevant fund manager's fund ESG and Climate metrics against the broader market.
    - For the Aurora Future Focused Fund we compare the Fund's MSCI ESG Fund ratings against those of the Lipper peer group.
2. For the Aurora Future Focused Fund we measure the carbon intensity of the Fund on a monthly basis. The metric we use to measure carbon intensity is the MSCI Weighted Average Carbon Intensity, which measures tons of carbon dioxide emitted per US$ 1 million of sales. Our focus is to ensure the Fund's carbon intensity is on a path to be substantially lower than the Fund's benchmark.
3. In addition, we upload the holdings of all three Funds into a software program called Emmi. Emmi measures the Funds' financial exposure to a carbon-constrained economy and the pathway needed to transition to net-zero. Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere. The term net zero is important because – for CO2 at least – this is the state at which global warming stops. The software provides both portfolio and individual company metrics which enables a comprehensive monitoring of the Fund's compatibility with the transition to net-zero.

This monitoring process enables us to clearly identify poorly performing companies in our portfolios and where appropriate, engage with our appointed investment manager to determine their course of action with the relevant company.

If our monitoring process identifies ESG inconsistencies with an individual ETF in the Aurora Future Focused Fund, we will divest from the ETF and reallocate the capital to a better aligned security.

If our monitoring process identifies systemic ESG issues with an appointed investment manager's investment process, we will terminate that investment manager and replace with a more suitable candidate.

Review

Aurora's SRI Policy will be reviewed at least annually and signed off by Aurora's Board