



QUAYSTREET
ASSET MANAGEMENT

Responsible Investment Policy

February 2023

Version 3

Scope of Policy

The scope of this Responsible Investment (RI) Policy ("Policy") applies to investment management services provided by Smartshares in relation to all QuayStreet Funds ("RI Funds") except the QuayStreet Socially Responsible Investment Fund which is separately governed and managed according to the QuayStreet Socially Responsible Investment ("SRI Policy").

Responsible Investing

In relation to the RI Funds, responsible investing is the incorporation of environmental, social and governance ("ESG") factors within each RI Funds' investment decision-making framework.

The primary objective of incorporating ESG considerations within the RI Funds' 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 the RI Funds and their investors.

Example of ESG Factors and Considerations

Below is a list of ESG factors and considerations that are taken into account when assessing an entity's suitability for investment by an RI Fund. 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 RI Fund is managed in accordance with the objectives and constraints outlined in its Statement of Investment Policy and Objectives ("SIPO"). Application of RI within an RI Fund, will be undertaken in a manner that ensures that the RI 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. ESG analysis and monitoring is a normal part of the day-to-day investment management of the RI Funds.

Exclusions

For the RI Funds, investment in entities whose business operations, products or services have a detrimental impact on society and/or the environment may be excluded.

When determining the exclusion criteria for an RI Fund, consideration will be given to:

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

Current set of Exclusions

As at the date of this Policy, direct investment in entities that undertake business operations across the following activities are excluded:

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, 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.

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

Externally Managed Investments

Smartshares may direct investments for the RI Funds to external managers or collective investment vehicles ("CIV's") such as Exchange Traded Funds.

When investing with an external manager or a CIV, we 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.

We 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 by this Policy's exclusions criteria (i.e. due to a recent acquisition), we will seek to divest the interest in that entity within a reasonable timeframe depending on general and specific market factors, including, transaction costs and liquidity.

Active Ownership

The RI 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 RI 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 RI Funds.

Some of the key elements of the governance assessment framework in respect of entities that the RI 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 RI 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 RI 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 & Record Keeping

This Policy is reviewed at least annually or more frequently, if required. Execution and compliance with this policy rests with the 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 Funds (excluding 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
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