

Smart Responsible Investment Policy

smart

Smartshares Limited (**Smart**) is the issuer and manager of the managed investment schemes referred to below.

Introduction

This policy sets out Smart's approach to responsible investment and the extent to which we incorporate environmental, social and governance factors in our investment management processes and the investment options that we provide to our customers.

For details of the Responsible Investment Philosophy applicable to the Quaystreet Funds, please refer to [quaystreet.com/investment philosophy](https://quaystreet.com/investment-philosophy).

We offer a comprehensive selection of funds to allow our customers to pick the investment approach that's right for them. We believe that companies with a sustainable focus may be in the best position to succeed in the face of challenges such as climate change. We also recognise that our customers are increasingly interested in responsible investment options.

References to responsible investing can be confusing as there are many different concepts to consider and different definitions of common terms. At Smart we deliver responsible investment options by considering the following:

- **Socially Responsible Investment (SRI) exclusions:** We do not invest in companies which fail to meet the ethical considerations of our SRI standards. We do not consider financial factors when making these exclusions.

- **Environmental, Social and Governance (ESG) screening:** We adjust our level of investment in companies based on ESG factors. We recognize that ESG factors and risks influence a company's long-term sustainability and their expected long-term performance.

Whether you seek to simply avoid companies that take part in controversial business activities such as tobacco and weapons, or prioritise investing in companies that are considered to have superior ESG factors, we have an investment option for you.

What is SRI?

SRI stands for socially responsible investment. SRI involves the application of ethical and moral considerations to an investment approach. Our funds that incorporate SRI exclude a common set of companies. This includes tobacco companies and companies involved in the manufacturing of certain weapons illegal under NZ law (including cluster munitions, anti-personnel mines and nuclear warheads).

What is ESG?

ESG stands for environmental, social and governance. ESG factors are non-financial considerations that are used to assess the sustainability of an investment. Our responsible investment approach has a focus on environmental and social criteria, such as how well a company minimizes their impact on the environment with lower greenhouse gas emissions. We may also use our voting rights to actively engage with companies to improve their governance structure.

The ESG factors that we may incorporate in our responsible investment options include:

Environmental

- Greenhouse gas emissions
- Water
- Waste and pollution
- Biodiversity

Social

- Health and safety
- Labour standards
- Human rights
- Animal welfare
- Controversial weapons

Governance

- Board structure, diversity and independence
- Remuneration
- Anti-bribery and corruption

Our responsible investment framework

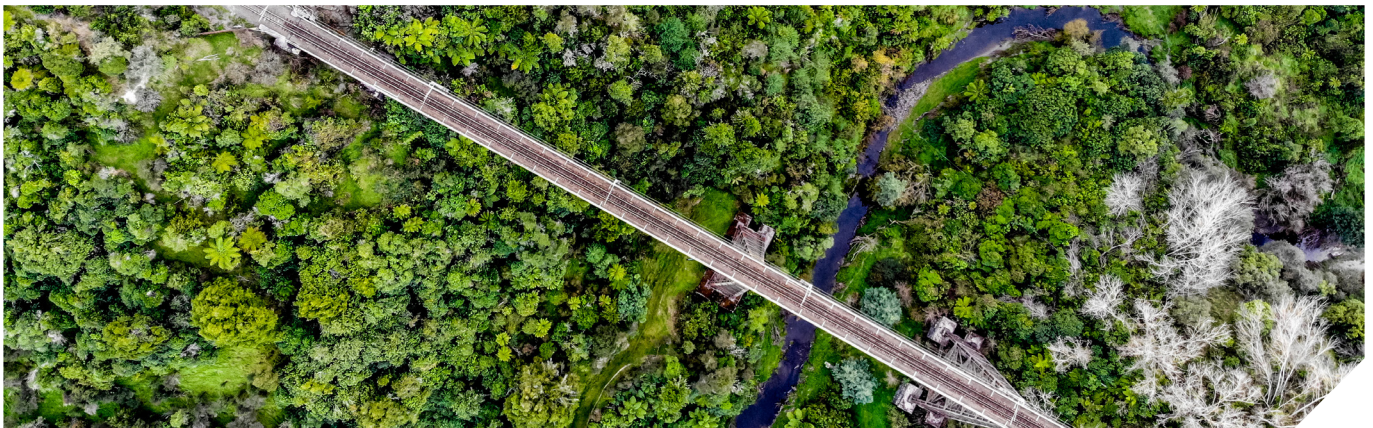
We incorporate responsible investment into our funds management process in the following ways:

- **SRI exclusions:** We exclude companies from a fund's portfolio that do not meet our socially responsible investment standards.
- **ESG screens:** We exclude, limit or increase exposure to certain companies from a fund's portfolio based on their activities. These are detailed in the fund descriptions below. A particular focus of our ESG screening is the reduction of a fund's greenhouse gas emissions (**GHG**) profile compared to market benchmarks.
- **External investment managers:** We assess an external investment manager's approach to responsible investment prior to their appointment and at least annually after that. We prefer to appoint external managers that are signatories to the United Nations Principles for Responsible Investment (**UNPRI**). The UNPRI's six principles ensure managers incorporate and promote ESG factors in their investment practice.

- **Voting:** We aim to support voting rights for shareholders and promote responsible corporate behaviour. We may engage proxy research and voting advisers when formulating voting and engagement strategies, deciding how to exercise specific voting rights, and in the actual execution of such voting rights. When we engage an adviser, we subscribe to the ESG version of their voting policies. We assess an adviser's responsible investment arrangements prior to appointing them and at least annually after that.

This policy does not apply to the use of derivatives, which may provide limited financial exposure to investments otherwise excluded under the policy.

The extent to which we incorporate these measures and actions into our investment management process depends on the particular investment option.



Our investment options

We recognise our customers have diverse views around ESG, so we offer a range of investment options to allow them to choose the investment approach that's right for them. The funds we offer range from fully integrated responsible investment options to non-ESG options that do not actively take ESG factors into account.

We offer three primary types of responsible investment.



Ethical

These funds integrate ESG as a core part of their approach by incorporating responsible investment in the following ways:

- SRI exclusions
- Systematic ESG screening
- Sustainable proxy voting policies



Principle-based

These funds incorporate our common SRI exclusions.



Non-ESG

These funds are not designed to apply our responsible investment approach and do not actively take ESG factors into account.

Ethical funds

Ethica Fund

The Ethica Fund integrates ESG as a core part of its investment approach. As part of its investment strategy, the Fund invests approximately 60% of its assets with Dimensional Fund Advisors (**DFA**), a specialist responsible investment provider, for the following asset classes:

- **International Developed Market Equities:** Dimensional Global Sustainability Trust
- **Australian Equities:** Dimensional Australian Sustainability Trust
- **International Fixed Interest:** Dimensional Global Bond Sustainability Trust

For these asset classes, the following tools are used:

Socially Responsible Investment (SRI) Exclusions

Excludes companies where a material part of their revenue or activities are in the following areas:

- **Gambling** - companies with more than 10% of total revenue from the ownership or operation of gambling facilities.
- **Tobacco** - companies that produce tobacco products and companies with more than 10% total revenue related to tobacco products.
- **Alcohol** - companies with more than 10% of total

revenue from the production, distribution and retailing alcoholic beverages.

- **Controversial weapons and personal firearms** - companies involved in:
 - the manufacture of cluster munitions or anti-personnel mines or their key components, chemical and biological weapons, or depleted uranium ammunition and armour;
 - 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); or
 - involvement in the manufacture of firearms and ammunition for civilian (non-military) use, or more than 20% of total revenue is from retailing of personal firearms.
- **Adult entertainment** - companies with more than 10% of total revenue from the production, distribution or retailing of adult entertainment products.
- **Factory farming** - companies that are involved in commercial animal husbandry for the purpose of food production. This criteria does not cover organic or free-range farms or fish and other aquaculture animals.
- **Palm oil** - companies with more than 10% of total revenue from the production or distribution of palm oil.
- **Coal mining** - companies with evidence of owning any proven or probable thermal or metallurgical coal reserves, or any revenue from the mining of thermal coal and its sale to external parties.
- **Child labour** - companies involved in severe controversies related to child labour practices.

DFA generally (a) avoids purchase and (b) divests from companies which, in their opinion, are involved in the activities and controversies listed above. Indirect involvement, for example through ownership structures, may also lead to exclusion. Should existing holdings, compliant at the time of purchase, subsequently become ineligible, they will be divested within a reasonable period of time considering turnover, liquidity and associated trading costs. In most circumstances, Dimensional normally expects to divest within three months.

However, there may be circumstances, such as suspension, delisting or low liquidity, that may cause divesting to take longer.

Systematic ESG Screening

Screens are applied to potential investments based on ESG impact scores. The scores are based on various ESG factors collected through DFA company research and ratings information provided by third parties. The impact scores are compared to market benchmarks that do not consider ESG factors to determine whether a company should:

- be excluded or have its weighting reduced.
- be held with no adjustment to its weight.
- have its weight increased.

One of the primary ESG factors used for screening is an investment's GHG emission intensity which includes direct (scope 1) and indirect (scope 2) emissions. It is expected that ESG screens will result in at least a 50% reduction in the Ethica Fund's GHG emissions profile compared to market benchmarks that do not consider ESG factors.

We monitor the GHG emissions profile of the underlying funds managed by DFA on at least an annual basis. We believe ESG screening is beneficial for investors who wish to see their funds flow to companies that have better ESG characteristics.

Voting

The governance aspect of ESG is incorporated into the Ethica Fund's investment approach through voting. DFA has a key focus on voting for shareholder proposals that request greater transparency and information regarding board diversity, gender/racial pay gaps, human rights impact reporting and climate change.

The Ethica Fund's investments, including SRI exclusions and systematic ESG screening, are managed by a number of external fund managers who are selected and monitored by Smart. Our selection approach starts with assessing the market for appropriate underlying funds that are closely aligned to our own investment approach of being well diversified, low cost, and systematic.

From this group, we select underlying funds that we believe show a superior commitment to ESG in their investment process.

Exclusions for other asset classes

The Ethica Fund's **International Emerging Markets Equities** and **New Zealand Equities** asset classes are invested in funds that we manage. These funds have SRI exclusions that prohibit investments in companies:

- with any tie to controversial weapons (for example cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons).
- that manufacture nuclear warheads and/or whole nuclear missiles or components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- that manufacture firearms and small arms ammunitions for civilian markets, or derive 5% or more of their revenue from the sale and

distribution of firearms or small weapons for civilian use.

- that manufacture tobacco products, or generate 5% or more of their revenue from the distribution or retail sale of tobacco products.
- that own proved or probable reserves and derive 5% or more of their revenue from thermal coal and oil sand extraction.
- that are not in compliance with the United Nations Global Compact principles.

Where we exercise our voting power on the securities in these funds, we will do so using proxy voting advisors using their ESG-integrated voting policies.

Our responsible investment tools do not apply to the **Listed Property, Other (Listed Infrastructure), New Zealand Fixed Interest** and **Cash & Cash Equivalents** asset classes of the Ethica Fund.

Principle-based funds

SuperLife Default Fund

The SuperLife Default Fund is a KiwiSaver default fund available in the SuperLife KiwiSaver Scheme. It is required to invest in the assets described in the KiwiSaver Default Provider (Smartshares) Notice 2021 (**Notice**) which can be found on the [Disclose Register](#).

The fund's SRI exclusions prohibit investments in companies within the Australasian and International equities asset classes:

- that are involved in activities relating to controversial weapons (for example cluster munitions, landmines, nuclear and biological/chemical weapons).
- that manufacture firearms and small arms ammunitions for civilian markets, or derive

5% or more of their revenue from the sale and distribution of firearms or small weapons for civilian use.

- that manufacture tobacco products, or generate 5% or more of their revenue from the distribution or retail sale of tobacco products.
- that own proved or probable reserves and derive 5% or more of their revenue from thermal coal and oil sand extraction.
- that are not in compliance with the United Nations Global Compact principles.

Additionally, the fund excludes companies that have their primary business activity in any of the excluded fossil fuel subsectors prescribed in table 1 or table 2 of Schedule 5 of the Notice.

SuperLife Overseas Bonds Fund

The SuperLife Overseas Bonds Fund's SRI exclusions include financial products issued by entities where a material part of their revenue (greater than 10%) and/or activities involve fossil fuel production. The fund also excludes financial

products issued by entities where any part of their revenue and/or activities involves tobacco or illegal weapons (cluster munitions, anti-personnel mines and nuclear explosive devices).

SuperLife Overseas Shares Funds

The SuperLife Overseas Shares Fund and SuperLife Overseas Shares (Currency Hedged) Fund's investment objective is to track the return (before tax, fees and other expenses) of the MSCI World ex Australia Screened Index. This index applies SRI exclusions to companies, including those:

- with any tie to controversial weapons (for example cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons).
- that manufacture nuclear warheads and/or whole nuclear missiles or components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- that manufacture firearms and small arms ammunitions for civilian markets, or derive

Exchange traded funds: ESG shares

The following exchange traded funds track ESG screened markets indexes and are available to investors in the Smart Exchange Traded Funds:

- **Smart Global ESG ETF** – invests in international shares and is designed to track the return of the MSCI World Ex Australia Custom ESG Leaders Net Total Return Index.
- **Smart Australian ESG ETF** – invests in Australian shares and is designed to track the return of the S&P/ASX 200 Fossil Fuel Screened Total Return Index.
- **Smart US ESG ETF** – invests in US shares and is designed to track the return of the MSCI USA Screened Index.
- **Smart Japan ESG ETF** – invests in Japanese shares and is designed to track the return of the MSCI Japan Screened Index.
- **Smart Emerging Markets ESG ETF** – invests in international shares and is designed to track the return of the MSCI EM IMI Screened Index.
- **Smart Europe ESG ETF** – invests in international shares and is designed to track the return of the MSCI Europe Screened Index.

The indexes tracked by these exchange traded funds apply SRI exclusions to companies, including those:

5% or more of their revenue from the sale and distribution of firearms or small weapons for civilian use.

- that manufacture tobacco products, or generate 5% or more of their revenue from the distribution or retail sale of tobacco products.
- that own proved or probable reserves and derive 5% or more of their revenue from thermal coal and oil sand extraction.
- that are not in compliance with the United Nations Global Compact principles.

The index also excludes companies that are involved in very severe controversies and/or in certain biodiversity-related controversies and targets a minimum 30% reduction in carbon emission intensity relative to the underlying parent index, MSCI World ex Australia Index.

- with any tie to controversial weapons (for example cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons).
- that manufacture nuclear warheads and/or whole nuclear missiles or components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- that manufacture firearms and small arms ammunitions for civilian markets, or derive 5% or more of their revenue from the sale and distribution of firearms or small weapons for civilian use.
- that manufacture tobacco products, or generate 5% or more of their revenue from the distribution or retail sale of tobacco products.
- that own proved or probable reserves and derive 5% or more of their revenue from thermal coal and oil sand extraction.
- that are not in compliance with the United Nations Global Compact principles.

The indexes incorporate the exclusions set out above, while seeking to track standard market capitalisation indexes.

Along with exclusions, some of the indexes may invest more in investments that have positive ESG characteristics and invest less in investments that do not. Some of the indexes may also target a minimum 30% reduction in carbon emission intensity relative to its underlying parent index.

Smart Global Bond ETF

The Smart Global Bond ETF's SRI exclusions include financial products issued by entities where a material part of their revenue (greater than 10%) and/or activities involve fossil fuel production. The fund also excludes financial products issued

SuperLife Superannuation Master Trust (SuperLife SMT)

SuperLife SMT applies SRI exclusions in respect of specific asset classes across the nine funds offered. These asset classes are:

- International equities;
- Australian equities; and
- Emerging Market equities.

SuperLife SMT funds that invest in these asset classes will not hold investment in companies:

- with any tie to controversial weapons (for example cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons).
- that manufacture nuclear warheads and/or whole nuclear missiles or components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- that manufacture firearms and small arms ammunitions for civilian markets, or derive 5% or more of their revenue from the sale and distribution of firearms or small weapons for civilian use.

Our expectation is these funds will provide a similar level of return to comparable funds that track broad market indexes, for a similar level of risk. This is reviewed on a quarterly basis by our internal Investment Oversight Committee.

by entities where any part of their revenue and/or activities involves tobacco or illegal weapons (cluster munitions, anti-personnel mines and nuclear explosive devices).

- that manufacture tobacco products, or generate 5% or more of their revenue from the distribution or retail sale of tobacco products.
- that own proved or probable reserves and derive 5% or more of their revenue from thermal coal and oil sand extraction.
- that are not in compliance with the United Nations Global Compact principles.

The extent to which the SRI exclusions apply for each fund within SuperLife SMT will depend on their target asset allocation. The SuperLife SMT World Shares Fund has a 100% allocation to international equities, therefore it is a principle-based fund and the SRI exclusions listed above will be applied to the entirety of the Fund's investments. The SuperLife SMT Moderate, Balanced, Growth, and Australasian Shares Funds each have varying degrees of exposure to the asset classes described above.

Each fund's target asset allocation, which shows the extent it incorporates the SRI exclusions, can be found in the SuperLife SMT Statement of Investment Policy and Objectives at [superlife.co.nz/resources/legal-documents](https://www.superlife.co.nz/resources/legal-documents).



Non-ESG funds

Smart’s other managed funds that are not listed above do not actively consider ESG factors. They allow investors to select asset classes, regions, sectors or industries in their investment portfolio without regard for SRI or ESG factors.

Governance

Smart’s Board of Directors is responsible for approving Smart’s responsible investment arrangements. Smart’s Investment Oversight Committee (a Board committee) is responsible for monitoring compliance with these arrangements. If we become aware of a breach of this policy, the Chief Investment Officer will take action to resolve the matter, and report it to our Investment Oversight Committee.

Smart’s Chief Investment Officer reports to the Investment Oversight Committee in respect of Smart’s responsible investment arrangements.

We confirm that we will act in accordance with our duties as manager of the schemes, including to act in the best interests of investors.

We will follow all applicable laws in relation to the investment of our funds. Any unforeseen circumstances that are not considered by this Responsible Investment Policy and require an investment decision to be made will be reviewed by the Investment Oversight Committee prior to any action being taken.

Approver:	Smart Board
Document owner:	Chief Investment Officer
Review:	Annual
Last reviewed:	6 May 2026

Schedule of funds and their RI investment type

	Ethical	Principle-based	Non-ESG
SuperLife	Ethica Fund	Default fund (KiwiSaver only) Overseas Bonds Fund SMT World Shares Fund Overseas Shares Fund Overseas Shares (Currency Hedged) Fund	All other funds
Smart Exchange Traded Funds		Emerging Markets ESG ETF Global ESG ETF US ESG ETF Europe ESG ETF Japan ESG ETF Global Bond ETF Australian ESG ETF	All other funds