

QUAYSTREET®  
ASSET MANAGEMENT

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# SOCIALLY RESPONSIBLE INVESTMENT POLICY

DECEMBER 2019

# INTRODUCTION

Over the past decade, socially responsible investment (SRI) funds across the globe have experienced tremendous growth. This has largely been driven by increasing investor demand for products across the following three broad categories of responsible investment:

**1. Integration of Environmental, Social and Governance (ESG) factors.** The key principle here being that companies that possess strong ESG qualities are more sustainable and are better aligned with shareholder interests. Also that they will likely offer better long-term return/risk characteristics. This is often termed as positive or ESG screening.

**2. Values Based Investing** is alignment of one's personal beliefs and values. This usually takes the form of avoiding investment in controversial sectors or companies or those that generate significant social or environmental costs. This is often termed as negative or exclusionary screening.

**3. Impact Investing** is where investors allocate their capital towards generating a benefit for the society or the environment. This is where the benefit outcome, usually unquantifiable in financial terms, often outweighs the importance of optimising the return/risk allocation.

This SRI Policy outlines how QuayStreet determines what constitutes a socially responsible investment and what type of criteria and assessments we apply when making investment decisions. It also serves to provide insight into the investment management process for those funds that adhere to this Policy and for investors to evaluate if the principles that are applied are in alignment with their own.

Some of the world's most notorious corporate scandals were not caused by poor financial decision-making or excessive risk taking, but by lack of care towards the environment, society or simply due to inadequate corporate governance. Unfortunately, for investors, the end-result has often been severe financial losses and reduced confidence in capital markets.

QuayStreet is an active investment manager, that invests on behalf of its clients across Australasian and international markets. We strongly believe that a portfolio of investments in companies that contain strong environmental, social and governance attributes does improve risk management and generation of long-term returns. Our duty is to act in the best interest of our clients and we recognise that integration of ESG principles within the investment process allows us to fulfil this duty more completely.

## ABOUT THE INVESTMENT MANAGER

QuayStreet Asset Management 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 (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 Policy statement applies to the investment management services provided by QuayStreet in relation to the QuayStreet Socially Responsible Investment Fund. It covers all investment asset classes and security types, unless specified otherwise.

## PHILOSOPHY & APPROACH TO SOCIALLY RESPONSIBLE INVESTING

QuayStreet's philosophical approach to socially responsible investing is to achieve strong investment performance whilst ensuring high ethical standards are met. This is achieved through an integration of our two-stage SRI screening methodology within our traditional investment framework.

This Policy provides an overview of how our two-stage SRI screening process is integrated, conducted and monitored.

# TWO-STAGE SRI SCREENING METHODOLOGY

## Stage One – Exclusionary Screening

The first stage, of our two-stage SRI screening methodology, is identification of business activities that have a negative influence on the society or the environment.

We define this as our “exclusionary” list, formally represented by the following activities:

- > Alcohol Production
- > Tobacco Production
- > Weapons/Armaments Production
- > Gambling
- > Mining of Fossil Fuels
- > Nuclear Power
- > Adult Entertainment

On a best endeavours basis, QuayStreet will avoid direct investment in companies that have direct and primary revenue exposure to these types of activities.

If a company, held by the portfolio that is governed by this Policy, happens to start generating revenue from these activities, QuayStreet will seek to divest as soon as practically possible. The divestment will be executed in such a way to avoid excessive costs or causing significant market impact.

## Stage Two – Environmental, Social and Governance Evaluation

The second stage of the screening process is a strict evaluation of ESG factors, both the associated risks and opportunities. Analysis and evaluation of ESG factors also ensures that high ethical standards will be achieved as exclusionary screening, by default, only looks at one aspect, type of business activity.

QuayStreet conducts comprehensive ESG analysis

in order to identify companies whose primary business activity may not be deemed to have negative influence on the society or the environment but, in fact, whose behaviour or method of conducting business is questionable, harmful or unsustainable. This analysis does not only apply to companies, but across the entire investment spectrum of assets, regions and security types.

QuayStreet recognises, that a strong ESG profile can have a material impact on the long-term risk and return outcome of an investment. Therefore, the integration of this process is thoroughly conducted and monitored.

Some of the considerations QuayStreet evaluates as part of its ESG analysis framework is shown over the page.

## EXAMPLE OF ESG SUBJECTS AND CONSIDERATIONS

ESG Factors	Example of Subjects	Example of Considerations	
Environment	Impact on Climate Change	Carbon Emissions Product Impact on Emissions	Financing Emissions Exposure Vulnerability to Climate Change
	Natural Resources	Consumption of Raw Materials Biodiversity Impact	Land Usage Water Usage
	Pollution & Toxic Waste	Toxic Emissions Product Packaging & Content	Recycling
	Environmental Opportunities	Technology Development Efficient Use of Energy	Exposure to Renewable Energy
Social	Human Capital	Employee Relationship OSH	Development/Education of Staff Supply Chain Labour Standards
	Impact of Society	Product Quality & Safety Controversial Sourcing	Privacy/Data Security Demographics
	Social Opportunities	Social Infrastructure Free Access	Supporting Communities Nutrition/Health
Governance	Corporate Governance	Type of Board & Structure	Strong Alignment with Shareholders
	Corporate Behaviour	Executive Pay Corporate Culture	Corruption Anti-competitive Practices
	Transparency	Quality of Reporting Tax Transparency	

## EXTERNALLY MANAGED INVESTMENTS

QuayStreet may direct investments, to other external managers or collective investment vehicles (CIV) for reasons such as to attain market exposure at low cost or access unique investment opportunities not available through direct investment.

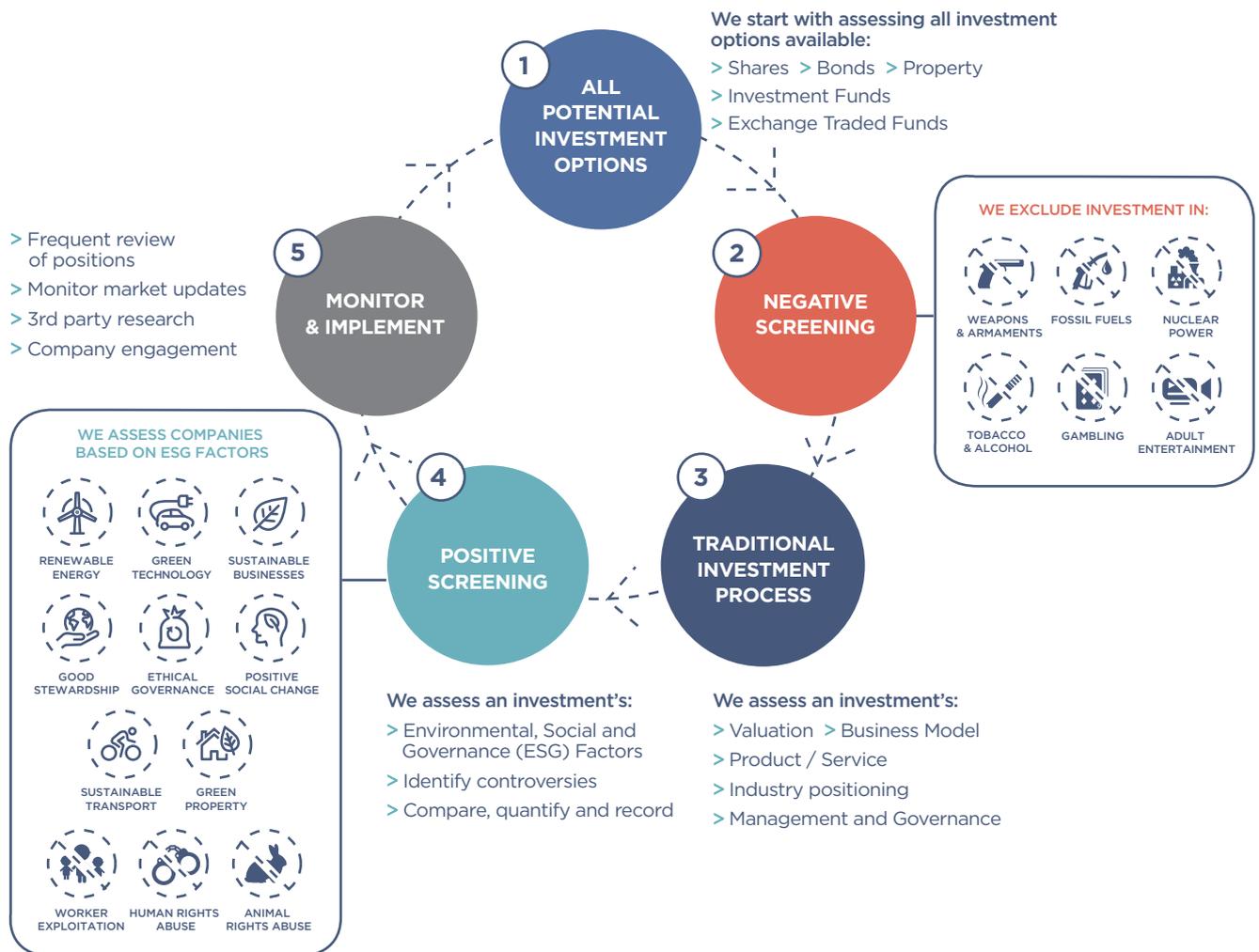
When considering such an investment, QuayStreet will attempt to achieve SRI Policy alignment between themselves

and the external manager or a CIV. QuayStreet understands the definition of SRI is very subjective and therefore such an outcome is difficult to achieve. Therefore, QuayStreet will seek to make investments in external managers or a CIV where the majority of their SRI policy or process is deemed to be similar or apply the same principles as this one.

Before directing investment to an external manager or a CIV, QuayStreet will undertake a formal assessment of the SRI Policy, the decision-making approach and underlying holdings and investments. This is frequently assessed and monitored.

# INTEGRATION OF THE TWO-STAGE SRI SCREENING METHODOLOGY

The integration and execution of the two-stage SRI process is dynamic. New and current investments are tested and continually monitored to conform to the standards and criteria set out in the SRI Policy. The process of how this is applied is shown below.



## ACTIVE OWNERSHIP

QuayStreet recognises it has an opportunity, on behalf of its investors, to influence companies on how they behave, improve transparency, ensure good corporate governance and propose sustainable initiatives.

QuayStreet achieves this through exercising voting rights on behalf of its clients through proxy voting and directly engaging with companies.

QuayStreet, where it is practical, will analyse corporate actions

and will vote in a manner that support best practice and standards.

In general, QuayStreet will assess the following broad factors when deciding how to vote on behalf of its clients:

- > Board members act in the best interest of shareholders or stakeholders.
- > The company ensures its behaviour and business practices are lawful and ethical.

> All shareholders have a right to participate in the governance of the company on a fair and equal treatment basis.

> The Board and its committee are structured to act independently from management, separate individuals or entities.

> There are appropriate controls and procedures in place ensuring effective and frequent oversight of company operations.

## ENGAGEMENT

When QuayStreet engages with a company, it usually involves a direct discussion with the Board or the management team in regard to understanding issues or matters concerning the company or advocating for change.

In respect to this Policy, QuayStreet will generally raise issues regarding environmental, social and governance concerns and attempt to achieve a resolution that achieves a positive outcome.

This is usually conducted confidentially in order to

encourage trust and openness, thereby increasing the likelihood of a positive outcome. If an appropriate resolution is not achieved in a timely manner, QuayStreet may divest the entire exposure of that company that is in the portfolio.

## ORGANISATIONAL AND EXTERNAL PARTICIPATION

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

## POLICY REVIEW AND ACCOUNTABILITY

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



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QuayStreet Asset Management Limited is the Manager and Issuer of the QuayStreet Funds and the QuayStreet KiwiSaver Scheme.  
The QuayStreet Funds Product Disclosure Statement and the QuayStreet KiwiSaver Scheme Product Disclosure Statement  
is available at [quaystreet.com](http://quaystreet.com)