



MACQUARIE ASSET MANAGEMENT

Ethical Leaders Investment Charter

Ethical Leaders Funds' purpose and beliefs

Supporting positive change in the world

The Ethical Leaders Fund range from Macquarie Asset Management has a very clear mission – to invest for the long term while making the world a better place. Our portfolios are designed to deliver positive outcomes – both for investors and our society. We offer far more than a basic ESG filter and invest ethically across all asset classes – not just equities.



Our ethical approach

To align our investment choices with this mission, we seek to invest in companies, assets and managers we believe demonstrate a positive impact on environment, social and governance (ESG) issues. We also rule out companies making significant money – more than 10% of revenue – from industries we believe have a significant negative impact. For those activities that we believe have only a negative impact on society – such as manufacturers of controversial weapons or tobacco/e-cigarettes – we apply an even more restrictive threshold of 0% of revenue. But most importantly, we choose to work with fund managers who engage with companies to change their behaviour for the better. By securing a ‘seat at the table’ we advocate for change in businesses that have the power to progress the social and environmental agenda, here in New Zealand, and across the globe.

Tackling climate change with exclusions and engagement

We recognise that climate change is one of the biggest challenges facing the world today.

Our Ethical Leaders Funds have committed to a way of investing to help address this challenge.



We do this in a few ways. **We seek to avoid investing in fossil fuel miners, producers or electricity generators and we invest in the solutions to climate change.** Our fund managers also use their influence to call for change and hold companies to account – even when they don’t invest in fossil fuel companies on our behalf.



We seek to avoid investing in companies that make any money from the production or exploration of coal, oil or gas or derive more than 10% of their revenue from the distribution of fossil fuels, e.g. oil and gas pipelines.



The Ethical Leaders Funds also **seek to avoid investing in companies who make more than 10% of their revenue from the provision of services to fossil fuel companies.**



When it comes to power generation, the Ethical Leaders Funds **avoid investing in companies which generate electricity from fossil fuels, unless they are predominately renewable energy companies and have a clear pathway to reduce emissions consistent with the Paris Agreement**, e.g. have reduction targets recognised by the Science Based Targets initiative (www.sciencebasedtargets.org). We develop relatively concentrated and equal-weighted portfolios that reflect our deep conviction.



We invest in Green Bonds

The Ethical Leaders Fund range supports companies and assets that are developing solutions to climate change.

One of the most important ways we do this is by investing in green bonds. These are essentially loans, made by investors, for green projects all over the world. Projects that the Ethical Leaders Funds have funded include solar energy farms, energy efficient technology, energy storage solutions, sustainable transport, cycleways, recycling research and development and forestry plantations.

A Green Bond meets the Ethical Leaders Funds' investment criteria if we believe funds raised will not be used to invest in the industries we exclude for ethical reasons (listed above). If the issuing company has material exposure to these industries, we will consider a Green Bond as a potential investment if we believe it can deliver a net positive impact for the environment.

Investment choices



What we do invest in

Companies we seek to invest in

We seek to invest in companies we believe are making a positive contribution in areas such as:

- Human rights
- Animal welfare
- Treatment of workforce/child labour
- Gender diversity
- Environment
- Governance
- Pollution
- Executive pay
- Responsible banking
- Renewable energy



What we don't invest in

Industries we avoid

We avoid investing in industries that negatively impact our world such as:

- Tobacco
- Armaments
- Nuclear power (including uranium)
- Gambling
- Alcohol
- Pornography
- Fossil fuels
- Fossil fuel power generation
- Live animal exports

We typically rule out companies generating more than 10% of revenue from these industries. For companies involved in the manufacture of tobacco/e-cigarettes, controversial weapons, civilian firearms and fossil fuels, a more stringent 0% revenue threshold applies. See our position statements on each of these areas for more details.



Our ethical approach across asset classes

We generally aim to apply this Charter to the equities and fixed income investments in our portfolios. We also consider ESG when deciding how to invest in direct property, infrastructure, alternative assets and all other asset classes. We have not invested in some asset classes in the past because of a concern that the investments were not within the spirit of this Charter.

Our approach to investing

Choosing managers for the Ethical Leaders Fund range

As well as seeking positive ESG impacts, we build portfolios with the aim of securing competitive returns for investors. In selecting managers for the Ethical Leaders Fund range, we use a three-step process to ensure our choices are guided by ethics, ESG and investment objectives.



1. Positive ESG criteria

- We choose fund managers we believe have the credentials and processes aligned with the investment objectives of the Ethical Leaders Fund.
- We also look at their ability to seek out companies that are having a positive impact in the areas listed on page two of this Charter.
- We prefer managers that are actively engaging with companies on improving their ESG policies, practices and impact.



2. Negative ESG criteria

- We prefer fund managers with a robust process for eliminating companies with material exposure to industries listed on page two of this Charter. This may not be fully possible where the Ethical Leaders Funds invest in pooled or exchange-traded funds where we cannot mandate the exact negative screening outlined in this Charter. However, in considering investing via a pooled or exchange-traded fund, we aim for the closest fit to the ethical criteria of the Charter, balanced against investment considerations.



3. The Right 'fit'

- We consider investment styles and risk profiles of a manager before deciding on their suitability for the Ethical Leaders Fund portfolio. In comparing a manager's investment profile with others in the fund range, we seek to build a portfolio that is style neutral. We believe diversification across asset classes and investment styles is key to meeting investment return objectives for the Ethical Leaders Fund.
 - Except for those funds offered in New Zealand, the fund may use managers that "short-sell" (long/short strategies). For these funds, shorting of excluded companies is permissible.
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Macquarie's ESG approach

Macquarie have been integrating ESG factors into investment decision-making for more than a decade.

We have a global sustainability team, with in-house specialists dedicated to promoting the sustainability of our business. Our team has a well-established framework for ESG issues, which it promotes and applies across the portfolio.

Investing for positive change for everyone

In 2015 the United Nations introduced 17 Sustainable Development Goals (SDGs) as the practical objectives for their 2030 Agenda for Sustainable Development. They are a call to action for governments and businesses to improve the lives of all people in the world while protecting the planet. The Ethical Leaders Fund seeks to support the UN SDGs in our investment choices and by advocating for ESG reform among the companies we invest with. Visit www.un.org/sustainabledevelopment for more information about the UN SDGs range.

SUSTAINABLE DEVELOPMENT GOALS



For more information, call us on 0800 400 499, email clients.nz@macquarie.com, or visit macquarieIM.com

Important information

Investors should read the relevant Product Disclosure Statement ("PDS") before investing. The PDS contains important information on the Fund including specific risks. A copy of the PDS has been lodged with the Registrar of Financial Service Providers and can be obtained from the Macquarie Asset Management (NZ) Limited website www.macquarieim.com, by contacting the Client Service Centre on 0800 400 499, or by visiting the Disclose website www.business.govt.nz/disclose. The Manager and the Issuer of the Fund is Macquarie Asset Management Public Investments (NZ) Limited, Meridian Building, Level 1, 55 Lady Elizabeth Lane, Queens Wharf, Wellington. While every care has been taken in the preparation of this communication, no Macquarie Group entity makes any representation as to the accuracy or completeness of any statement in it. Past performance is not a reliable indicator of future performance. This communication has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this communication and seek professional advice, having regard to the investor's objectives, financial situation and needs.

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