Pathfinder

Ethical Investment Policy

KiwiSaver and Managed Funds

Ethically invested funds to suit *every modern investor.*

June 2024

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Certified B Corporation — This company is committed to accountability, transparency, and continuous improvement.

Signatory of: PRI Principles for Responsible Investment

Version # and Approval Date by Committee	Summary of changes	Author

About us

Pathfinder is Aotearoa New Zealand's first **certified B-Corp** ethical investment manager. We launched our first sustainably themed fund in 2010 and our KiwiSaver Plan in 2019. We strive to make ethical investing accessible for New Zealanders, and to prove that you can both invest ethically and have great financial returns.

This document (the Ethical Investment Policy) sets out our approach to ethical investing. This framework applies to our entire product range. This includes all our investments whether equities, fixed income or private assets, and any external managers that we might use. It also includes indirect exposures to these investments if they arise from our use of derivative contracts. It consists of both our high-level investing philosophy and a practical guide for how that is implemented. We hope this document will be of interest to investors curious about Pathfinder's ethical investing approach.

The owner of this policy is the Ethics and Investment Committee (the Committee) which is responsible for developing and overseeing the ethical framework that underpins our investing approach. The Committee also has responsibility for our Statement of Investment Policy and Objectives (SIPO) which should be read together with this Ethical Investment Policy (high level terms of this Policy are summarised in the SIPO for this purpose).

The Chief Investment Officer (CIO) is responsible for ensuring that the investment team and investment process adhere to this policy. View the About Us section of our website for details on our investment team and Committee members.

Pathfinder's Principles:

(what we think is right)

These four principles underpin our approach to investing and to our business more broadly:

1. **Think holistically:** consider the broad impact of our decisions, insist on the rights of humanity and nature to co-exist in a healthy, supportive, diverse and regenerative way.
2. **Lead bravely:** challenge and rethink the present whilst also imagine a better future.
3. **Be change makers:** favour momentum over inertia and optimism over despair.
4. **Be good ancestors:** work to leave things better than we found them.

Our Vision:

(what we aspire to)

For our investing to fund a lasting transformation to a **better** world.

- A world where people are free to make their own choices so long as they don't prevent others from doing the same.
- A world that values respect and equality, where there is prosperity, fair distribution of resources and the chance for all to thrive.
- A world free of animal cruelty.
- A world where the fine balance of all ecological systems is respected.

Our Mission:

(how to achieve our vision)

To generate individual wealth and collective well-being by investing ethically.

Our ethical investing approach

Ethical investing is the practice of using an ethical framework, based on principles, as a primary filter for how to select investments. We regard ethical investing as core to achieving our vision and mission.

While our principles, vision and mission are clearly stated, our decisions and actions must be consistent with those, as well as verifiable.

The rules and guidelines set out in this Policy are for day-to-day ethical investment decision-making. These are driven by three ethical imperatives (Pillars) which provide the lens through which we view all investments:

Respecting People:	*Respecting our Planet:*	*Respecting Animals:*
Human rights and promoting healthy communities	Biodiversity and climate action	Cruelty free investments

As an ethical investor our investible universe will be reduced by applying our exclusions. This means there will be profitable investments that we turn down because they do not comply with our ethical approach. We fundamentally believe that ethical investing should not have a negative impact on long-term financial returns. There are several reasons supporting this, including:

1. Our opportunity set is substantial even after excluding companies we choose not to consider.
2. Some of the industries or activities we do not invest in can be regarded as "sunset" industries, where consumer preferences and legislative oversight are reducing their growth rate and creating the risk of stranded assets.
3. We believe investments complying with this policy may well be of higher quality. Higher quality companies are likely to be better long-term investments. Learn more about the investment risks from our PDS, available from www.pathfinder.kiwi.

How we get there: Seek to Avoid Harm

Exclusions

(see Appendix 1)

Our first step is to seek to avoid investing in companies whose behaviour is inconsistent with our ethical approach. We have designed our exclusions with the intention of minimising investments that cause unnecessary harm to people, our planet or animals. For this approach, we assume that activities conflicting with our three pillars will likely cause harm.

Appendix 1 is a comprehensive list of our exclusions, how we define those excluded activities, and what specific thresholds we use to exclude (or not exclude) particular investments. An exclusion will likely be one of the following:

- **Regulation based exclusions.** This applies particularly to activities which are banned under New Zealand Law or International convention. Examples include the production of Nuclear Weapons, Land Mines or Cluster Munitions.
- **Harm-based exclusions**. This applies to activities that we believe conflict with our ethical pillars. Examples include Tobacco manufacture, Animal Testing and Gambling.
- **Exclusions beyond revenue thresholds.** We set **revenue thresholds** to reflect an allowable percentage of the company's revenue derived from a specific controversial activity that could lead to harm. We do this because (1) companies do not always disclose full details of their operations and revenues, and (2) this aids the practicalities of constructing a portfolio. Examples include 10% of revenue from the sale of tobacco and 50% of revenue from non-weapons related services to military customers (which could include logistics services).

As well as the exclusions set out in in Appendix 1, we may exclude companies from our portfolios that are involved in:

- **Inconsistent activities:** activities, conduct or operations that we decide are otherwise inconsistent with our ethical approach, or
- **Controversial behaviours:** controversial behaviours that are material enough to pose significant financial risk to the company.

As outlined in the below sections, while we seek to remove or minimise investments which breach our exclusions, we may hold these investments in limited circumstances. For example, if a company's activities change after investment or if an exception has been granted by the Committee (see below section on "Exceptions").

Companies of Concern and Divestment

A Company of Concern is a company we are invested in that we later believe may breach the exclusions section of this policy (which includes the tables in Appendix 1 as well as 'inconsistent activities' and 'controversial behaviours').

We rely on many sources of data (including paid third party providers and our monitoring of news flow) to help us identify companies of concern. Our Investment Team formally review our portfolios on a regular basis but also actively gather information on a continuous basis.

If at any time a company we are already invested in becomes a company of concern, we enter it on to our Companies of Concern Register. This then requires investigation by the Investment Team to determine whether it is inconsistent with our ethical policy. The result is one of three outcomes:

1. **No breach:** An assessment by the CIO that the company does not breach this policy and therefore can continue to be held. This could be, for example, because the CIO determines that:
   a. data or information from sources supporting investing in the company are robust and accurate, whereas conflicting data or information sources are flawed or inconclusive, or
   b. the revenue threshold for a specific exclusion is not triggered.
2. **Breach and divestment:** An assessment by the CIO or the Committee that the company breaches this policy. It will then be divested.
3. **Breach and approved exception:** Approval by the Committee that the company be treated as an Exception. This may mean some of the company's activities are outside our Ethical Investment Policy but it has met strict criteria that allows the Committee to make an exception (these are set out below).

The outcomes and reasoning for them will be included in the Companies of Concern Register. The Register is reviewed by the Committee at each meeting and the Committee may change an assessment made by the CIO. Where relevant, we can engage directly with a company for clarification, resolution, or further information to assist with our decision-making.

If a company is to be divested, it will be sold within a reasonable time horizon, depending on factors including transaction costs, market conditions, and liquidity when selling.

A list of Companies of Concern considered by the Committee is available on our website **here**.

Exceptions

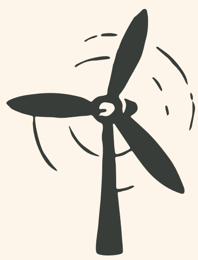
While we strive to ensure our investing always complies with our ethical approach, we accept that ethics are not binary, and our world is changing at a fast pace. In exceptional circumstances, we may invest in companies which do not fully comply with our ethical exclusions. This decision will be made by the Committee based on a review of the circumstances and factors affecting the investment decision, including:

- **Transition: acknowledging a company's commitment to business transition**
  A company may be in the final stages of a transition out of an excluded activity, or intentionally take on other's environmental liabilities to transition them out of an excluded activity, with a clear pathway to achieving that. If we see leadership, commitment and a clear plan to transition from a company we may decide to invest in that company.
- **Transformation: investing for change**
  A company may be striving to change an industry or process such that it transforms out of being an excluded activity.
- **Financial: Portfolio construction imperatives**
  Our Investment Team determine we are unable to create a portfolio with appropriate diversification and/or risk & return characteristics without that company.

For category 1 and 2 above consideration may be given to one or more of the following:

- **Self-awareness:** The extent to which the company acknowledges and accepts the activities we find objectionable are an issue. This should also consider the company's plans, procedures and actual steps it is taking to address this issue.
- **Vision and mission:** whether operations of the company are consistent with our vision/mission.
- **Three ethical pillars:** how the company relates to our three pillars of respecting people, our planet and animals
- **Positive themes:** whether the company positively contributes to our themes for positive investing.
- **Other factors:** any other factors which the Committee determines relevant in the circumstances.

If approved as an exception, the decision and the supporting reasons will be entered into our Exceptions Register and the company can be invested in (or continue to be held in) a Pathfinder Fund. A summary of reasoning will be included in the Exception Register. The Exception Register is reviewed by the Committee at each Committee meeting.



Companies that have been granted an exception are shown on our website and the current list of exceptions is available here.

How we get there: Positive Investing

ESG (Environmental, Social, Governance)

We believe that the companies taking environmental, social, and governance considerations (ESG) seriously will ultimately build higher quality businesses over the longer term. For this reason we include ESG as part of our investment framework.

From an investment perspective, we consider that ESG data provides valuable information about potential financial risks that may not be captured by traditional financial accounting data. ESG data is a key component for choosing the companies we invest in.

We draw on a wide range of sources for ESG data, including sustainability analytics, news reports and company disclosures. It's worth noting that ESG data doesn't necessarily rate many of the 'real world' impacts of a company. Data completeness, quality and consistency between different data providers can also be an issue. Pathfinder mitigates this as best we can by using our own analysis. We don't consider ESG data alone is sufficient for making ethical judgements on potential investments.

Our Principles of Responsible Investment Declaration

As part of our commitment to ethical investment, Pathfinder is a signatory to the UN Principles of Responsible Investment (UNPRI). The UNPRI are a set of six investment principles (set out in Appendix 3) for incorporating environmental, social and governance issues into investment practice.

These principles are:

- voluntary and aspirational (providing a direction for responsible investment efforts rather than a checklist with which to comply).
- intended to contribute towards creating more sustainable markets and a more prosperous world for all.
- regarded as useful for enhancing returns and better managing risks.

Positive Investment Themes

(see Appendix 2)

To complement our ESG approach, we use **positive investment themes** to help guide our investment process in our equity portfolios. We tilt our portfolio towards companies whose operations align with these themes and that meet our financial investment criteria. This approach increases the opportunity as investors to consider our alignment with the UN's Sustainable Development Goals.

More detail on our positive investment themes is set out in Appendix 2.

Sustainable Development Goals

(see Appendix 3)

We support the **United Nations Sustainable Development Goals** which act as a blueprint to help achieve a better and more sustainable future for all.

We aspire for our investment decisions to contribute to the SDGs and are committed to aligning our investment practices with the sustainability objectives of these Goals. This means we match (the Goals to our investments) and monitor (where companies provide data) the impacts these companies are having on the realisation of these goals. The 17 Sustainable Development Goals are set out in Appendix 3.

Investing to mitigate Climate Change

We support the transition to a low-carbon world as this will help to mitigate the effects of climate change (which we see as possibly the single greatest threat to the future of our society and ecosystems).

We strive to select investments with lower-than-average emissions to drive down the overall emission profile of our investing. For our global equities we report on our portfolio Weighted Average Carbon Intensity (WACI) each year in our Sustainability Report.

WACI is a simple statistic that is easy to understand and easy to compare across different portfolios. It is defined as the Scope 1 and 2 emissions (in 000's of tons) divided by company revenue (in US$ millions). It is not affected by company profitability but gives a good gauge of how much Green House Gasses are emitted by a company (or portfolio) for a given level of economic activity.

We are Active Owners

Aotearoa NZ Stewardship Code: We are a signatory to the Code and support its framework and principles.

How we vote: We believe ethical investors have a responsibility to influence corporate behaviour and promote positive change. We vote on resolutions at company meetings in line with our ethical beliefs and in a manner that we believe will enhance long-term value. We use a proxy voting service that provides research and guides our voting decisions. Key votes that we identify are also reviewed by us to ensure alignment with our policies. Our voting record will be published each year in our Sustainability Report.

Engagement means actively promoting positive change by companies. Our engagement will mostly be focused on New Zealand (rather than global) companies. Our engagement activity will be published each year in our Sustainability Report.

Advocacy means actively encouraging ethical investment and awareness. This may be through media engagement, articles, or presentations to public groups. We report on our advocacy, engagement and voting history in our annual Sustainability Report.

Transparency

Holdings

Full Portfolio Holdings (see glossary for full definition) are available on the Disclose Register (learn more about this in our glossary) and on our website here.

Sustainability Report

It's not enough to simply say we're trying, we want to achieve. To monitor our progress for our investors and stakeholders we produce an annual **Sustainability Report.**

Monitoring and Oversight

Our holdings are monitored on an ongoing basis. A summary of our process is set out in Appendix 4. If a company is found to likely breach this policy, it is entered on the Company of Concern register, and the procedure outlined in the "Companies of Concern" section is followed. You can find our Companies of Concern register **here.**

Let us know what you think

We take feedback seriously and engage with our members/investors who have concerns around any of our investments.

Reviewing

This policy has been approved by the board and will be reviewed at least annually by the Committee. Any changes will need to be approved by the Committee.

Our Commitment

The team at Pathfinder want our members to know we take this policy very seriously and we strive to ensure our investing always complies with our ethical approach. While recognising the inherent limitations of available data (as outlined elsewhere in this policy), we recognise that any breach of this policy risks us losing our ethical credentials and the confidence of our investors. This is not something we're willing to jeopardise.

Appendix 1 - Exclusions

Regulation based exclusions:

These are exclusions based on New Zealand's legal or regulatory settings, as well as international laws and conventions applicable to New Zealand. In practice, this means any company engaging in activities illegal under NZ law would be excluded. It also means that where NZ is party to an international convention restricting certain activities, companies that have revenues from that activity – even if legally operated in other countries – would be excluded.

Social and environmental harm:

We exclude other industries or activities that we believe do more social or environmental harm than good. These have been considered in light of our three ethical investment pillars of respecting people, planet and animals.

To identify companies that may fall within our exclusions we use data from a range of sources. For sector-based exclusions we use GICS classifications where possible, for example Fossil Fuel extraction companies would fall under the 'Energy' GICS sector. Where there is no specific GICS sector flag for an exclusion we use data providers to screen for a company's involvement in an excluded activity.

As well as our data providers we monitor news services and published research, engage with companies, work with other investor groups (such as Responsible Investment Association of Australasia), and monitor investor focused tools (such as mindfulmoney.co.nz)

If it is unclear whether a company falls within our exclusions (including exclusions for "inconsistent activities" and "controversial behaviour") or if we become aware of new information that questions whether a company's activities fall within these exclusions, we will investigate the company and refer the company to the Ethics and Investment Committee where required by this policy (for more detail please see "Companies of Concern" on page 6.)

We can, and do, grant exceptions which allow us to invest in a company that breaches any of our exclusions listed below. Our exception assessment criteria is set out on page 7 of this policy and a register of current Exceptions is kept on our website here.

Weapons:

Pathfinder excludes all investments in companies that earn any identifiable revenue from the development, production and/or distribution of controversial weapons and civilian automatic and semi-automatic firearms and their magazines or parts. We also exclude companies that earn beyond a revenue threshold of 5% from the production and distribution of conventional weapons and their components or companies that are classified under the GICS system as defence contractors. This includes companies that provide support systems and services for conventional weapons. We also go further and exclude companies providing services or products to the military that are not weapons related (for instance catering or non-military equipment) if their identifiable revenue from those customers is greater than 50%. We believe weapons can be inconsistent with UN Sustainable Development Goals #10: Reduced Inequalities and #16 Peace, Justice, & Strong Institutions.

Activity	Application	Revenue Threshold
Production and/or distribution of **controversial weapons** or the key components of these weapons.	Companies involved in the production and/ or distribution of controversial weapons (being biological and chemical weapons, depleted uranium ammunition/armour, anit-personnel mines or cluster munitions/sub-munitions), and their key components.	Any identifiable revenue from the activity above 0%/zero tolerance.
Production and/or distribution of **civilian** automatic and semi-automatic firearms and their magazines or parts.	Companies involved in the production and/ or distribution of civilian automatic and semi-automatic firearms, handguns and/or their magazines or parts.	Any identifiable revenue from the activity above 0%/zero tolerance.
Military weapons related revenues i.e. military weapons, equipment and/or services.	Companies that derive revenues from components of weapon systems, support systems, and services related to the weapon.	Any identifiable revenue from the activity above 5%.
Non-weapons related revenue derived from military customers.	Companies that provide logistical services or non-weapons related products to military customers.	Any identifiable revenue from these customers above 50%.

Nuclear Weapons:

Pathfinder excludes all investments in companies (and their subsidiaries and investments) involved in the development, production and maintenance of nuclear weapons and delivery systems such as missiles that are specifically developed for nuclear tasks. Investments in companies that provide other services to nuclear weapons production that are materially significant are also excluded.

Alcohol:

Alcohol can cause significant harm to individuals, families, and communities. We also recognise that alcohol companies may be involved in controversial lobbying activities to relax regulations around the sale and marketing of alcohol. We exclude all investment in companies that earn beyond a revenue threshold of 5% from the production, processing, and manufacture, of alcoholic products for consumption. We also exclude all investment in companies that earn beyond a revenue threshold of 10% from the sale of alcoholic beverages. We believe alcohol is inconsistent with UN Sustainable Development Goal #3 Good Health and Wellbeing and #10 Reduced Inequalities.

Activity	Application	Revenue Threshold
Alcohol beverage production, processing, manufacture.	Companies producing alcoholic beverages.	Any identifiable revenue from the activity above 5%.
Alcohol beverage sales.	Companies involved in the sale of alcoholic beverages.	Any identifiable revenue from the activity above 10%.

Cannabis:

The production or sale of cannabis for recreational purposes is currently banned under New Zealand law. For this reason, we will not invest in companies involved in the production of recreational cannabis, even if they are operating legally in another jurisdiction (for example Canada). We are not excluded from investing in cannabis for medicinal purposes. We believe that without careful regulation the recreational cannabis industry could conflict with UN Sustainable Development Goal #3 Good Health and Well-being and #10 Reduced Inequalities.

Activity	Application	Revenue Threshold
Recreational Cannabis production.	Companies involved in the production of recreational cannabis products.	Any identifiable revenue from the activity above 0%.
Recreational Cannabis product sales.	Companies involved in the sale of recreational cannabis products.	Any identifiable revenue from the activity above 0%.

Adult entertainment:

While not illegal in most jurisdictions the potential for the exploitation of adults and minors makes this a high-risk area for us to invest in. We believe there is significant risk that companies in this industry will fail to comply with human rights principles based on the high risk of exploitation, poor labour conditions and other criminal activities. We will not invest in any company with 5% or more of identifiable revenue from the production and/or distribution of adult entertainment material. We believe adult entertainment is inconsistent with UN Sustainable Development Goals #5 Gender Equality, #16 Peace, Justice, & Strong Institutions and #10 Reduced Inequalities.

Activity	Application	Revenue Threshold
Adult Entertainment production.	Companies involved in the production of adult entertainment products.	Any identifiable revenue from the activity above 0%.
Adult Entertainment sales and distribution.	Companies involved in the sale or distribution of adult entertainment products.	Any identifiable revenue from the activity above 5%.

Tobacco:

Pathfinder excludes all investment in companies (and their subsidiaries and investments) that are involved in the production of tobacco or the manufacture of nicotine althernatives and tobacco-based products. Tobacco products are intended to be addictive and to cause harm and there is no safe level of tobacco consumption. We believe tobacco is harmful to both individuals and society, and the marketing of tobacco is specifically harmful to individuals. We also exclude companies that earn more than 10% of identifiable revenue from the sale of tobacco, nicotine alternatives and tobacco-based products. This allows investment in retailers such as supermarkets as long as they have limited revenue from the sale of tobacco, nicotine alternatives and tobacco-based products. Nicotine alternatives and tobacco-based products include electronic nicotine delivery systems (ENDS) as defined by the US Food and Drug Administration (for example, vaping devices and e-cigarettes) alternatively described as nicotine vaping products (NVP), dissolvable and non-combustible tobacco products (for example, nicotine pouches, snuff), shisha and water pipes. We believe tobacco is inconsistent with UN Sustainable Development Goals #3 Good Health & Well-Being and #10 Reduced Inequalities.

Activity	Application	Revenue Threshold
Tobacco, nicotine alternatives and tobacco-based products production, processing, manufacture.	Companies involved in the production of tobacco, nicotine alternatives and tobacco-based products.	Any identifiable revenue from the activity above 0%.
Tobacco, nicotine alternatives and tobacco-based products product sales.	Companies involved in the sale of tobacco, nicotine alternatives and tobacco-based products.	Any identifiable revenue from the activity above 10%.

Gambling:

We exclude investment in companies that earn revenue from gambling. Gambling is designed to be addictive, and companies tend to target the most vulnerable sections of society, causing significant harm to individuals and creating huge financial and social costs. We will not invest in companies that derive any identifiable revenue from owning and/or operating gambling establishments. We also exclude companies that earn more that 10% of identifiable income from the production of specialised equipment used for gambling. We believe gambling is inconsistent with UN Sustainable Development Goals #3 Good Health & Well-Being and #10 Reduced Inequalities.

Activity	Application	Revenue Threshold
Gambling.	Companies involved in owning or operating gambling establishments, including online gambling.	Any identifiable revenue from the activity above 0%.
Gambling equipment.	Provision of specialised equipment used exclusively for gambling.	Any identifiable revenue from the activity above 10%.

Fossil fuels:

We exclude investments in companies that derive 5% or more of identifiable revenue from the exploration, extraction, conversion or distribution of fossil fuels. We believe Climate Change represents a significant risk to human society and excessive fossil fuel activity is a key driver of this risk. We define fossil fuels as coal (and consumable fuels), oil and natural gas including where developed from unconventional sources such as tar sands or shale oil. We believe fossil fuels are inconsistent with UN Sustainable Development Goal #11 Sustainable Cities and Communities, #12 Responsible Consumption & Production and #13 Climate Action.

Activity	Application	Revenue Threshold
Exploration and/or extraction of fossil fuels.	Companies involved in the exploration and/or extraction of fossil fuels.	Any identifiable revenue from the activity above 5%.
Generation of electricity or process heat from fossil fuels.	Companies involved in the conversion of fossil fuels to other forms of energy.	Any identifiable revenue from the activity above 5% for oil and gas or 0% for coal where the company is not in active transition.
Distribution of fossil fuels.	Companies involved in distributing fossil fuels either at retail or wholesale levels (except by rail).	Any identifiable revenue from the activity above 5%.

Palm oil:

We exclude investments in companies that derive 5% or more of identifiable revenue from the production or sale of palm oil and palm oil products. We believe palm oil is inconsistent with UN Sustainable Development Goal #12 Responsible Consumption & Production, #13 Climate Action and #15 Life on Land.

Activity	Application	Revenue Threshold
Production or sale of palm oil and palm oil products.	Companies involved in the production or sale of palm oil and palm oil products.	Any identifiable revenue from the activity above 5%.

GMOs:

We exclude companies that derive 5% or more of identifiable revenue from the commercialised production and sale of genetically modified organisms (GMOs) that may impact the food chain. We acknowledge this as a fast evolving and ethically complex area, with both potential for significant costs and significant benefits. We define a genetically modified organism as an organism that has been altered using genetic engineering techniques. Ultimately, we believe that the use of GMO's may provide significant benefits in terms of feeding the global population but are concerned about wider impacts around the commercialisation of these organisms. This may change as the industry evolves. We will continue to review GMOs but are not currently investing. We believe GMOs can be inconsistent with UN Sustainable Development Goal #12 Responsible Consumption & Production, #14 Life Below Water and #15 Life on Land.

Activity	Application	Revenue Threshold
Production or sale of GMO organisms.	Companies involved in the production or sale of GMO organisms including plant or animal based that may impact the food chain.	Any identifiable revenue from the activity above 5%.

Respecting Animals

Animal testing:

We believe the world is moving away from accepting testing of products on animals and that companies should work to develop alternative forms of testing. For the purpose of this exclusion, we define animal testing as the use of live, non-human animals for research purposes that is likely to cause them pain, suffering, distress or lasting harm. Animal testing is often legally required to demonstrate the effect of products and ingredients on human and environmental health. The most obvious applications are in pharmaceuticals and personal care products, but companies involved in the manufacture of chemicals, agricultural products, food products, and household products are often exposed. Animal testing can be a challenging area because a lack of disclosure may make identification difficult. We also acknowledge that companies may be required to use animal testing to support outcomes consistent with our other ethical values or as a means to achieve alternative forms of testing. Given these challenges, we can and do grant exceptions for animal testing, on a case by case basis, if our Ethics and Investment Committee consider that a company meets the exceptions criteria described on page 7 of this policy. You can find more detail on the current exceptions granted for animal testing on our website here. We do not regard investing in a bank that lends to a company that may test on animals as a breach of this exclusion. Nor do we regard investing in a fund management company as a possible breach unless we invest in that company's investment funds. We believe animal testing is inconsistent with UN Sustainable Development Goal #3 Good Health and Well -Being, #12 Responsible Consumption & Production, #14 Life Below Water and #15 Life on Land.

Activity	Application	Revenue Threshold
Animal testing for medical purposes.	Companies that undertake animal testing for medical purposes whether required to or not by law.	Not a revenue threshold. Hurdle is any animal testing undertaken by the company (or instructed to be undertaken on its behalf).
Animal testing other than for medical purposes.	Companies that undertake animal testing other than for medical purposes (for example consumer goods or beauty products) whether required to or not by law.	Not a revenue threshold. Hurdle is any animal testing undertaken by the company (or instructed to be undertaken on its behalf).

Factory farming:

Any agricultural or aquacultural practice that relies on keeping animals in conditions that do not allow them to express normal behaviour is inconsistent with our ethical beliefs. Further to animal welfare concerns, we are concerned with the environmental and public health impacts associated with factory farming. We exclude livestock and poultry farming companies that use factory farming techniques. We also exclude any companies that farm fish.
We believe factory farming is inconsistent with UN Sustainable Development Goal #3 Good Health and Well -Being, #12 Responsible Consumption & Production, #14 Life Below Water and #15 Life on Land.

Activity	Application	Revenue Threshold
Factory farming.	Companies involved in factory farming, i.e., highly intensive systems with conditions designed to maximise production at minimal cost and at the expense of animal welfare, planetary, and human health.	Any involvement.

Livestock export:

We exclude investments in companies engaged in livestock export. Live export causes unnecessary pain and suffering. The export trade also typically moves animals from countries with higher welfare standards to those with lower. We believe livestock export is inconsistent with UN Sustainable Development Goal #12 Responsible Consumption & Production and #15 Life on Land.

Activity	Application	Revenue Threshold
Livestock export.	Companies involved in livestock export, especially by sea bulk carrier.	Any involvement.

Whaling:

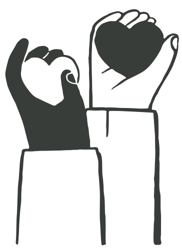
We exclude companies involved in whaling and/or the processing of whale meat. Whale meat can include all cetaceans such as dolphins and porpoises. We believe whaling and whale meat processing is inconsistent with UN Sustainable Development Goals #12 Responsible Consumption & Production and#14 Life Below Water.

Activity	Application	Revenue Threshold
Whaling (in respect of whales and including all cetaceans).	Companies involved in hunting and/or processing of cetaceans for commercial purposes.	Any involvement.

Animals for entertainment:

We exclude companies exploiting animals for entertainment (such as an ocean theme park). We believe these are inconsistent with UN Sustainable Development Goals #14 Life Below Water and #15 Life on Land.

Activity	Application	Revenue Threshold
Animals for entertainment.	Companies involved in the exploitation of animals for entertainment, such as marine parks and animal experience tourism.	Any involvement.



Appendix 2 - Positive investing themes

Under our three ethical investment pillars of respecting People, Planet and Animals, we have identified 5 long term themes to help shape our investment focus:

Healthy Planet	Healthy Living	Deglobalisation	Digitalisation	Social Licence

Within these five themes, we identify industries or sectors of particular focus. Some examples of these are:

Renewable Energy:

Energy used for electricity, heat, and transport makes up around three quarters of global emissions. To reduce emissions, we support renewable energy and innovative technologies around energy transmission and storage.
SDG 7 – Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.

Energy Efficiency :

Energy efficiency focuses on products/services, technologies, and infrastructure promoting lower energy consumption or greater efficiency. To support this we invest in companies like sustainable data centres, electric vehicle technologies and manufacturing.
SDG 7 – Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.

Community Housing:

We want an Aotearoa New Zealand where everyone has the opportunity to live in warm, dry housing and to be part of a flourishing community. We will support community housing projects that share this goal.
SDG3 – Good Health & Wellbeing: Ensure healthy lives and promote well-being for all at all ages.
SDG11 – Sustainable Cities & Communities: Make cities and human settlements inclusive, safe, resilient and sustainable.

Individual Positive Investments:

Where possible we look for investment opportunities that are consistent with our three filters. We tilt our portfolio towards investments that support human rights and healthy communities, bio-diversity and climate action, and opportunities to support an end to animal cruelty. These investments may include private (unlisted) companies we invest in.

SDG1 - No Poverty: End poverty in all its forms everywhere.

SDG2 - Zero Hunger: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

SDG3 – Good Health & Wellbeing: Ensure healthy lives and promote well-being for all at all ages.

SDG4 - Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

SDG5 - Gender Equality: Achieve gender equality and empower all women and girls.

SDG8 - Decent Work and Economic Growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG10 - Reduced Inequality: Reduce income inequality within and among countries.

SDG13 - Climate Action: Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.

Appendix 3 - UN Sustainable Development Goals and UNPRIs

Part one - The 17 sustainable development goals (SDGs) to transform our world:

The United Nations Sustainable Development Goals (Sustainable Development Goals) are a blueprint for achieving a better and more sustainable future for all. They address key global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The full list of Sustainable Development Goals is set out below.

GOAL 1: No Poverty

GOAL 2: Zero Hunger

GOAL 3: Good Health and Well-being

GOAL 4: Quality Education

GOAL 5: Gender Equality

GOAL 6: Clean Water and Sanitation

GOAL 7: Affordable and Clean Energy

GOAL 8: Decent Work and Economic Growth

GOAL 9: Industry, Innovation and Infrastructure

GOAL 10: Reduced Inequality

GOAL 11: Sustainable Cities and Communities

GOAL 12: Responsible Consumption and Production

GOAL 13: Climate Action

GOAL 14: Life Below Water

GOAL 15: Life on Land

GOAL 16: Peace and Justice Strong Institutions

GOAL 17: Partnerships to achieve the Goal

We measure our progress by reporting on alignment with the SDG's by companies in our portfolios. This reporting appears in our annual sustainability report.

Part two - The 6 Principles of Responsible Investment (UNPRI)

The six UNPRI principles which we have committed to are:

1. To incorporate ESG issues into investment analysis and decision-making processes;
2. To be an active owner and to incorporate ESG issues into Pathfinder's ownership policies and practices;
3. To seek appropriate disclosure on ESG issues by the entities in which Pathfinder invests;
4. To promote acceptance and implementation of the principles within the investment industry;
5. To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles of Responsible Investment;
6. To report on Pathfinder's activities and progress towards implementing the Principles of Responsible Investment.

Appendix 4 - Our Process for Checking that Investments Comply with our Ethical Investment Policy

We strive to ensure that our investments comply with our Ethical Investment Policy in the following ways:

1. We use two main data providers to screen our stocks before investment is made and afterwards on a regular basis. They are Refinitiv (to screen for revenue and exclusions) and ISS (screening Corporate Rating data in relation to sustainable development goals which includes flags for military related products and services). We note that providers may show different data for the same companies and that many of the differences can relate to different processes or approaches by a provider to gathering information.
2. Where ISS or Refinitiv flag a stock for a breach of our exclusions, we investigate further to verify that the flag is correct. We may come to a different conclusion based on the evidence we find. We conduct our own internal research of revenue and company activities in a number of ways including:
   - Contacting a company directly for clarification
   - Looking at data from alternate providers
   - Our own review of a company annual report and website
   - Our own review of information publicly available
3. We conduct our own internal review of stocks on an ad hoc basis where we obtain further information about the company. Our team have access to reported ESG data, news alerts, ISS updates and qualitative research (such as industry surveys & company interactions). This includes stock-specific queries raised by staff, our clients and other stakeholders.

We consider that this process provides a robust framework to ensure our investments comply with our Ethical Investment Policy. However, we acknowledge that ethics is not binary and the world is changing at a fast pace. We also acknowledge that there will be limitations and inconsistency with the availability of data. For example, a change in a company's policies or activities may not be publicly available until after its annual report is published. If we find that a stock breaches, or potentially breaches ("grey area") the policy, the stock is treated as a "company of concern" and either divested by our Investment Team or reviewed by the Ethics and Investment Committee in accordance with our Ethical Investment Policy (see page 6 "Companies of Concern and Divestment" for further details.)

Our approach to exceptions and companies of concern is the same for all categories of exclusions – i.e., we may still invest in an excluded industry/area if approved by the Ethics and Investment Committee within the parameters of the policy. We do not apply different criteria to different exclusions and the criteria for all exceptions are set out on page 7 (Exceptions).

Where an exception has been granted by our Ethics and Investment Committee, we consider that this holding is in compliance with the Ethical Investment Policy.

Glossary of terms

Certified B-Corp
B Corps are businesses that meet high standards of social and environmental performance, accountability and transparency. Certified B Corporations, or B Corps, envision a better economic system where businesses can benefit people, communities, and the planet. They are recognised for choosing long-term investments over quick wins, and measure their success based on the positive impact they create. Pathfinder was the first Certified B-Corp fund manager in New Zealand.

Controversial Weapons
Companies involved in the production and/or distribution of controversial weapons (being biological and chemical weapons, depleted uranium ammunition/armour, anit-personnel mines or cluster munitions/sub-munitions), and their key components.

Disclose Register
This is a government website where all fund managers are required to list their financial products. To use this free online tool you can go here: https://disclose-register.companiesoffice.govt.nz/
Select: Search for an Offer and put Pathfinder in the issuer name field. From here to you can view our Managed Funds and KiwiSaver Funds. You can view all important documents, such as our Product Disclosure Statements and all our holdings.

ESG
Environmental, social, and governance (ESG) data measures whether a company has relevant policies, behaviour measurement and reporting in place. Environmental criteria consider how a company safeguards the environment, for example corporate policies addressing climate change, water usage and waste treatment. Social criteria examine how a company manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, diversity, executive pay, audits, internal controls, and shareholder rights. ESG data allows investors to more accurately measure how risky a company is, but does not necessarily provide ethical insight into that company.

Ethical Investing
Ethical investing is the practice of using an ethical framework, based on principles, as a primary filter for how to select investments.

Fixed Interest
There are several categories of investments, the two main categories are considered to be 'equities' and 'fixed interest'. Fixed interest is debt investments, which is effectively money lent that must be repaid at some point. Bonds are examples of fixed interest investments.

Global Industry Classification Standard or GICS
Designed as a way to categorise all major public companies, the GICS structure consists of 11 sectors, 24 industry groups, 69 industries and 158 sub-industries. GICS is used as a basis for financial market indexes in which each company is, based on its principal business activity, assigned to four categories - a sub-industry, an industry, an industry group, and a sector. Basically, it allows fund managers like us to organise information and report on the companies and industries we invest in. For example, Fisher & Paykel Healthcare is in the Health Care **Sector**, the Health Care Equipment and Services **Industry Group**, the Health Care Equipment and Supplies **Industry** and the Health Care Equipment **Sub-Industry**.

Holdings
This refers to the contents of an investment portfolio. Portfolio holdings may encompass a wide range of investment products, including stocks, bonds, managed funds, options, futures, and exchange traded funds (ETFs – an Exchange Traded Fund – think of this as a bundle of investments which could include bonds, stocks or other assets within it).

Positive Screening
Ethical exclusions are negative in the sense that they mean we seek to avoid investing in a company. Positive screening is the opposite – where we are looking to identify 'good' companies or sustainable investment themes to invest in.

Private Assets
Investments that KiwiSaver providers and fund managers select will typically be assets listed on a stock exchange. It is possible – but generally more complicated – to invest in companies that are not stock exchange listed. These are called private assets. They are harder to buy, sell and to value, but often provide a different risk/return profile and greater real-world impact compared to listed companies. Examples of Private Assets that we sometimes invest in are the equity of unlisted companies.

Return (in an ethical sense)
Return in an ethical sense can be measured in terms of harm avoided or a positive benefit (or change) created. The measurement can be quite general, like not supporting capital flowing into an industry. Or it can be quite specific, such as generating a defined amount of renewable energy or supporting a shareholder resolution with an environmental focus.

Return (in a financial sense)
A return is the amount of money an investment makes or loses over a certain period of time. This can be measured as a dollar amount or in percentage terms.

Risk (in a financial sense)
Depending on context 'risk' can mean (1) the probability of losing money or (2) the extent to which an investment value goes up and down (also called 'volatility'). As an investor, you need to consider what level of risk you're personally comfortable with. Talking to a financial advisor can help you to figure this out.

Equities
Equities are a type of investment where your money is investing in a company by purchasing shares of that company in the stock market. As owners of those shares you become a shareholder and get to vote in shareholder resolutions. As active managers, Pathfinder is invited to vote on behalf of our investors, inline with our ethical principles, on corporate actions related to each company (or equity) we invest in. You can read more about how we've voted over the year in our annual Sustainability Reports which you can find on our website in the Documents and Forms page.

Sustainability
We define "sustainability" according to the 1987 Brundtland report Our Common Future: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

United Nations Sustainable Development Goals (UNSDG's)
The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "shared blueprint for peace and prosperity for people and the planet, now and into the future". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030.

United Nations Principles of Responsible Investment (UNPRI)
The United Nations Principles of Responsible Investment is a globally-recognised framework for responsible investing. A fund manager that commits to the UNPRI is called a 'UNPRI Signatory'. Each signatory commits to working together to implement the six aspirational principles.

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