



TAHITO

# TAHITO Te Tai o Rehua Fund

TAHITO Environmental, Social and Governance Sustainability, Ethics and Impact Policy (ESG-SEI Policy) Version 8

Te Kaupapahere Taiao, Pāpori, Mana Whakahaere - Toitū, Matatika, Pānga V8

24 December 2024

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## 1. Document Control Table

The TAHITO Investment Committee own this document and are responsible for its updating and revision as required to reflect regulatory requirements and/or our business.

Reviews of this document will be dated, and amendments recorded in the document control table in a revised document. Any material changes will require the approval of the TAHITO Investment Committee and the TAHITO Board.

Version	Description of Key Change(s)	Date Approved
1.0	Initial policy drafted	14 Nov 2019
2.0	First review of policy	20 May 2020
3.0	Annual Review aligned with Fund name change	30 April 2021
4.0	Addition of sections to describe the Fund, the process and assurance of those processes.	17 June 2021
5.0	Addition of new exclusions	1 December 2021
6.0	Revised Assurance wording and annual review	1 July 2022
7.0	Revised fossil fuel exposure definitions	31 October 2022
8.0	Added Sustainability & Impact objectives and targets by: Adding 'Following nature's lore' section Updating Te Kōwhiringa Tapu section Updating T3 Mauri screens Updating TAHITO Sustainability and Circular Economy section Updating TAHITO and Impact Investing section Updating the Exclusions section to reflect the MSCI ESG definitions used with broader explanation of each item. Adding Appendix III: TAHITO Te utu Panga Impact Statement	24 December 2024

## 2. Introduction

TAHITO is indigenous ethical investing. We are applying ancestral Māori knowledge to benefit future generations. TAHITO is a unique way of measuring companies using indigenous knowledge combined with conventional financial analysis.

As awareness in climate change and sustainability intensifies the world is increasingly looking toward indigenous cultures, values and sustainability practices for solutions. TAHITO indigenous ethical investing is for investors who:

1. Want their investment funds aligned to a high level of values and principles;
2. Want their investment to be sustainably managed across a diversified portfolio;
3. Would like to see their capital applied ethically in investments with positive social and environmental purposes.

Arguably it is the loss of connection that underpins the major issues we face across the world, from climate change to loneliness. We believe that by re-connecting you can drive positive change in socio-economics, finance and all societal behaviours.

This policy is prepared by the TAHITO team, reviewed and monitored by the TAHITO Investment Committee and approved by the TAHITO Board. This policy provides an outline of how we integrate indigenous values with Sustainable, Ethical and ESG factors.

## 3. Investment Philosophy

### Nga Ruahine behaviours

Manahua te tapu o Apakura o te aroha	empower compassion
Hineahuone o te kura	nature
Hinetitama o te tapu	sacredness
Hinenuitepō o te wairua e	eternity
Manahua te tapu o Mahuika o te mauhi	empower passion
Murirangawhenua o te kauwae	purpose
Hineteiwaiwa o te kotahi	unity
Hineraukatauri o te rerehua e	blossoming
Manahua te tapu o Tahito e!	empower ancestral spirit

We use Ngā Ruahine, the attributes of our female ancestors as the basis of our investment philosophy.

Our philosophy is premised upon an Indigenous Māori World View. This world view follows nature's lore. Human wellbeing requires a healthy and thriving environment. Finance and economics are human constructs and a 'means to an end' not an end in themselves. Hence Māori ethics put people and the environment first because both are fundamental to living and thriving. This thinking is implicit in the ancestral Māori worldview which centres on connection and the interdependence of all things. This is the foundation principle.

**'Te mōhio whaiaro takitahi; Te hononga o nga mea katoa, kaore he mea i a ia ano'**

*'Collective Self Intelligence; Everything is interrelated, nothing exists of itself'*



The TAHITO investment philosophy focuses on providing high quality ethical investment services to investors. It is based on the following principles;

- We are ethical investors. We actively seek companies that are well run and meet our stringent Māori ethical screening tests.
- We are values-based investors. We invest in high quality investments that display connectivity and relational behaviours and qualities, have, or are committed to, a low environmental impact and have a high-level of social and corporate responsibility.
- We integrate MSCI Environmental Social and Governance (ESG) research on a values basis in our ethical screening.
- All securities undergo fundamental valuation and financial quality analysis.
- We take a long-term view.
- We are active investors.
- We have a disciplined approach to risk management.

The investment process which underpins TAHITO is effectively measuring 'Aroha Connection'. We are measuring the transition of companies from the 'substantive', internally focused, very self-absorbed behaviours, to the ideal 'Relational', externally connected, collective behaviours. This requires ethically strong and committed governance with a clear drive toward sustainability to enhance financial returns.

Following Nature's Lore: Putting the Environment before people and people before profit.

TAHITO follows a values-led holistic socio-ecological system or simply natural lore. Our initial T score process favours companies that;

- Set clear and achievable sustainability and regenerative targets
- Understand and measure their 'externalities'
- Adopt credible sustainability reporting systems
- Are transparent with and accountable to their non-financial measures
- Demonstrate how they intend to reduce or better these measures
- Ideally, they have incorporated or are moving toward circular economy type principles
- Have effective equity, diversity and community support policies and practices

#### 4. TAHITO Values, Ethics and Behaviours

The TAHITO values underpin our investment process. These values are required to transform the individual self to the collective self. These values translate to ethics and behaviours that influence our TAHITO measures.

##### TAHITO Values and Behaviours (Summary)

- Whanaungatanga –tō ao (*Relational – collective reality*)

*Understanding all relationships in the interconnected world; internal and external, commercial, social, environmental and cultural.*

*Whakapapa- tō mana (Interdependent – collective Identity) Understanding that the business is interdependent and relies on its total environment to succeed. Serious about ethics. Care for people and the environment and they will care for you.*

- Whakarongo – tō hiwa (*Balanced – collective awareness*)

*The company strives to reach the best balance across all its relationships. Circular economy principles; kia mimiti, kia tukuru, kia whakahau (reduce, reuse, regenerate)*

- Whakatau – tō kaha (*Consensual – collective power*)

*Understand the collective strength across the business. Acts positively and with integrity.*

- Honotahi – tō wairua (*Complementary – collective self*)

*Competitive forces are dealt with in a complementary manner. Core principles and values extend beyond physical and material gain.*

- Mahitahi – tō tapu (*Co-operational – collective behaviour*)

*Strive to co-operate with all forces and agents in your ecosystem. Strong social, environmental and cultural ethics are imbued in the organisation, measured and acted upon.*

- Utu - tō mauri (*Reciprocal – collective dominance*)

*Care for the environment and give back to the local communities. Identify the key drivers to success and repay the source. i.e. stakeholders, people, clients, environment, communities.*

- Humarie – tō mārama (*Harmony – collective understanding*)

*Seek harmony in its business across all systems and relationships. Be clear and transparent, display honesty and integrity, communicate clearly. Be conciliatory and collaborative in negotiations.*

- Kawa - tō ora (*Cyclical – collective success*)

*Success beyond financial. Celebrate and encourage successful behaviours. Long term sustainability.*

The aroha connection implies balance and harmony. Its ethics strive for balance and consensuality. Its behaviour is complementary and co-operational. Its target is reciprocity and harmony.

While derived from our traditional Māori knowledge, these values and ethics are essentially universal in a free and fair economy.

#### Application of TAHITO Values and Ethics

In applying the TAHITO investment philosophy, we are endeavouring to select securities that best display the collective and relational values and behaviours derived from indigenous Māori culture and ancestry. We aim to invest in good companies doing good things. We look for companies that:

Display connectivity and value relationships	Whanaungatanga - tō ao ( <i>Relational – collective reality</i> )
Are serious about their ethics	Whakapapa - tō mana ( <i>Interdependent – collective Identity</i> )
Hold people and environment in high priority	Whakarongo - tō hiwa ( <i>Balanced – collective awareness</i> )

Are open and transparent	Whakatau - tō kaha ( <i>Consensual – collective power</i> )
Share the wealth, i.e. predominantly widely held	Honotahi - tō wairua ( <i>Complementary – collective self</i> )
Care for and give back to their local communities	Utu - tō mauri ( <i>Reciprocal – collective dominance</i> )
Have strong competent governors with a high level of awareness	Mahitahi - tō tapu ( <i>Co-operational – collective behaviour</i> )
Display a willingness to change, adapt and engage new technologies	Humarie - tō mārama ( <i>Harmony – collective understanding</i> )
Have long term sustainable growth potential	Kawa - tō ora ( <i>Cyclical – collective success</i> )

## 5. TAHITO Funds

Our first Fund is the TAHITO Te Tai o Rehua Fund (TToR), an indigenous ethical and sustainable fund that selects Australasian listed securities using a positive scoring system integrated with ESG data. Māori indigenous values and principles serve as the foundation to the Fund's philosophy and investment selection process.

The Fund provides actively managed exposure to a portfolio of primarily New Zealand and Australian companies. The companies have been selected in accordance with the TAHITO investment philosophy. The Fund aims to generate a better return than the benchmark over the medium to long term.

## 6. Te Kōwhiringa Tapu – Te Hātepe Haumi o TAHITO

Te Kōwhiringa Tapu: means 'careful selection' it is an indigenous Māori taxonomy or Māori Holistic socio-ecological decision-making framework that we have developed. TAHITO has partnered with the Investment Services Group (ISG) in this development.

Te Kōwhiringa Tapu is a positive scoring system that integrates ESG on a values basis. It consists of a large range of quantitative and qualitative measures, selected to align with our Māori values and Ethics. It has been initially applied to assess Australasian listed securities for TAHITO Te Tai o Rehua Fund (Trans-Tasman Fund) to produce a highly ethical, sustainable and impactful equities portfolio.

Te Kōwhiringa Tapu is the complete process whereby securities are assessed against the selected measures in our positive screens. Each security is given a T (TAHITO) Score and a V (Valuation and financial quality) Score prior to a deeper financial analysis and peer review process.

Once a short list of securities is identified the portfolio construction phase is the final selection stage where weightings are also attributed to each security taking into account sector exposure and potential tracking error. Te Kōwhiringa Tapu is outlined in the process diagram attached to this policy.

- The ESG integrated measures are updated monthly.
- Periodic company reviews are carried out, often prompted by specific news and events or sector topics and events.
- A comprehensive review is carried out annually.

## 7. The T Score – TAHITO Ethical and Sustainability Measures

In applying our indigenous lens, we are looking for behaviour qualities in companies that align with our Values and Ethics. To measure these behaviours, we have selected over 60 quantitative and qualitative measures. These measures are derived from our indigenous value set. The quantitative measures represent the integration of Environmental, Social and Governance (ESG) factors on a values basis.

We measure sustainability with our T Score (TAHITO Score). There are three stages to the T Score. Levels 1 and 2 integrate factor level ESG data selected within MSCI ESG Manager.

### T1 SCREENS (Exclusions and Positive T Score)

- **Te utu a Tāwhirimātea** - Climate change, GHG
- **Te Taiao** - Environment, Water, Waste, biodiversity
- **Te Ngātāhi** – Equity
- **Te Pūtakitini** – Diversity
- **Ngā Matataki**- Ethics

### T2 SCREENS (T Score)

**Te Mana Whakahaere** - Governance and **Te Pāpori** – Social

- Business ethics
- Human capital
- Product safety and liability
- Social opportunities
- Privacy and data
- Labour management

We call level 3 our mauri screens. These are from direct research and assist to provide depth and validity to level 1 and 2 screens.

### T3 MAURI SCREENS (T Score)

- Business involvement
- Women and ethnic inclusion
- Equity, pay wage ratio, ownership & control
- Values, principles, vision, mission, purpose
- Community, external connections
- Reciprocity, grants, distributions
- Sustainability targets, practice, measures
- Code of conduct / ethics, diversity & inclusion
- Partnerships & collaborations



- Maori & Aboriginal relations (RAP)
- Chair & CEO reports and messaging

We look for leadership with a high level of compassion and selflessness.

Our TAHITO Te Tai o Rehua Fund is a contribution toward a new global story of equity, sustainability and diversity. In order to achieve impactful social and economic purpose you first need leadership with the right belief, compassion and behaviours. Leaders that:

- Believe to create equity, environmental sustainability and regeneration we need to avoid further concentration of wealth and wealth polarisation;
- Strive for a quantum shift in economics – prioritizing community and environmental wellbeing over profit; and
- Are committed to ‘a new story’ of how we want the world to be.

The ideal is aspirational, we can only start a journey toward that destination, as did our tipuna when navigating by the stars across the vast Pacific Ocean.

## 8. Environmental, Social and Governance (ESG) Definition

What is ESG?

ESG processes and procedures focus on non-financial performance indicators that address a company’s approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations. ESG criteria are a set of standards and measures of a company’s operations that conscientious investors use to screen potential investments.

- Environmental criteria look at how a company performs as a steward of nature.
- Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.
- Governance deals with a company’s ethics, values, leadership, executive pay, audits, internal controls and shareholder rights.

Essentially ESG measures indicate the level of risk exposure companies have relative to the key ESG criteria.

How do we understand ESG?

To understand how ESG information embedded within companies improves investor returns, ethics and sustainability expectations, we acknowledge the three “transmission channels” within a DCF (discounted cash flow) model published by the MSCI ESG research team. These channels are called the cash-flow channel, the idiosyncratic risk channel and the valuation channel. These three transmission channels are based on the following rationales:

- Cash-flow channel: High ESG-rated companies are more competitive and can generate abnormal returns, leading to higher profitability and dividend payments.
- Idiosyncratic risk channel: High ESG-rated companies are better at managing company-specific business and operational risks and therefore have a lower probability of suffering incidents that can impact their share price. Consequently, their stock prices display lower idiosyncratic tail risks.

- Valuation channel: High ESG-rated companies tend to have lower exposure to systematic risk factors. Therefore, their expected cost of capital is lower, leading to higher valuations in a DCF model framework.

## 9. ESG Core Principles

ESG investing is a very broad field with many different investment approaches addressing various investment objectives. At the top level, we can break down ESG investing into three main areas that each have their own investment objective:

1. Values-based investing: where the investor seeks to align their portfolio with their norms and beliefs.
2. ESG integration: where the key objective is to improve the risk-return characteristics of a portfolio.
3. Impact investing: where investors want to use their capital to trigger change for social or environmental purposes, e.g., to accelerate the decarbonization of the economy.

TAHITO primarily applies Values-based investing and impact investing objectives for ESG integration.

## 10. TAHITO and ESG Integration (Positive Screening)

ESG measures primarily indicate the level of risk exposure relative to key ESG criteria, therefore ESG measures alone do not indicate that a company has attained sustainable, ethical and or impactful standards. This is achieved through our T Score process.

We use ethical screens in selecting investments, for which Māori indigenous values, principles and behaviours serve as the foundation.

The TAHITO Te Kōwhiringa Tapu process uses mostly positive screens, and its measures are both quantitative and qualitative. In developing the portfolio, the Tahito process integrates ESG data for the quantitative measures.

The quantitative TAHITO scores (T Score) are obtained using research from the MSCI ESG system. The qualitative T Score (or Mauri screens) are obtained by direct research. Securities are ranked by their total T Score.

The attached 'Te Hātepe Haumi o TAHITO' (the TAHITO Investment Process diagram, refer page 14) outlines the ESG integrated measurements in phases T1 and T2. The T3 phase outlines the qualitative measures.

Note: ESG scores make up less than half of the total T Score.

## 11. TAHITO Sustainability and Circular Economy

Sustainability measurement is the quantitative basis for the informed management of sustainability. The metrics used for the measurement of sustainability (involving the sustainability of environmental, social and economic domains) are still evolving: they include indicators, benchmarks, audits, indexes and accounting, as well as assessment, appraisal and other reporting systems.

The UN Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, with a target achievement goal of 2030.

(<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

Corporate sustainability reporting are some of the best known and most widely used sustainability measures. They include;

- Triple Bottom Line accounting
- Global Green Economy Index (GGEI)
- Environmental Sustainability Index
- Environmental Performance Index
- International Integrated Reporting Council (IIRC)
- Global Reporting Initiatives (GRI)
- Fit for Future
- B Corp
- Circular Economy
- Donut Economics

TAHITO favours a holistic socio-ecological, balanced environmental system. This is driven by our values and consistent with the holistic Māori world view.

The TAHITO system favours companies that;

- Set clear and achievable sustainability and regenerative targets
- Understand and measure their 'externalities'
- Adopt credible sustainability reporting systems
- Are transparent with and accountable to their non-financial measures
- Demonstrate how they intend to reduce or better these measures
- Ideally, they have incorporated or are moving toward circular economy type principles
- Have effective equity, diversity and community support policies and practices

**The integration of Circular Economy and sustainability** can lead to numerous benefits. By promoting a circular economy, the sustainable use of resources can be enhanced, waste minimized, and pollution reduced. This, in turn, could promote a sustainable economy and enhance social equity:

#### 1. Circular Economy and Sustainability:

- The circular economy concept aims to make better use of natural resources like forests, soil, water, air, metals, and minerals. It involves designing out waste and pollution, keeping products and materials in use for longer, and allowing natural systems to regenerate.
- Sustainability, on the other hand, encompasses environmental, social, and economic dimensions. It focuses on meeting present needs without compromising the ability of future generations to meet their own needs.

2. Circular Economy's Impact on Economic Growth: Key components of a circular economy include environmental tax rates, recycling rates, private investment and jobs in circular

economy sectors, patents related to recycling, and trade of recyclable raw materials. A strong and positive correlation between a circular economy and economic growth can be obtained through sustainability action, innovation, and investment in no-waste initiatives, playing a crucial role in promoting future wealth.

3. Benefits of a Circular Economy: Beyond environmental benefits, a circular economy offers opportunities across industries and sectors:

- **Better Use of Finite Resources:** By optimizing resource utilization, a circular economy reduces waste and ensures more efficient use of natural resources.
- **Job Creation:** Circular practices can lead to new job opportunities, especially in recycling, remanufacturing, and repair sectors.
- **Innovation and Investment:** Circular models encourage innovation in product design, materials, and business processes. Investment in circular initiatives can drive economic growth.
- **Health and Well-being:** Reducing pollution and waste positively impacts human health and well-being.
- **Resilience and Adaptability:** Circular systems are more resilient to shocks and disruptions.

In summary, the circular economy, when integrated with sustainability, helps to foster resource efficiency, innovation, and responsible resource management. A well-implemented circular economy can create a more prosperous and resilient future for all.

## 12. TAHITO and Impact Investing – Ngā Matatiki me ngā Utu Pānga

What is Impact Investing?

Impact investing is considered alongside the higher convictions of sustainable and ethical investing as opposed to the more easily attainable responsible investing. The International Finance Corporation (IFC) defines impact investing as ‘investments made with specific intent to make a measurable contribution to the achievement of social and environmental goals, as well as achieving a financial return’.

A key feature of this definition is that impact investments are defined by the approach of the investor. In principle, investments may be made into the full range of public and private assets, as long as by doing so the investor contributes to achieving impact. Specifically, the definition encompasses three observable attributes of impact investors that can distinguish them from other investors.

- **Intent;** The investor articulates an intent to achieve a social or environmental goal by identifying outcomes that will be pursued through the investment and specifies who will benefit from these outcomes.
- **Contribution;** The investor follows a credible narrative, or thesis, which describes how the investment contributes to achievement of the intended goal—that is, how the actions of the impact investor will help achieve the goal. In this case, contribution is considered at the level of the impact investor and can take financial or non-financial forms.
- **Measurement;** The investor has a system of measurement in place linking intent and contribution to the improvement in social and environmental outcomes delivered by the enterprise into which the investment has been made. The measurement system enables the investor to assess the level of expected impact in order to continuously monitor

progress and take corrective actions when appropriate, and to evaluate the achievement of impact.

In the advancement of sustainability and impact regulation, identification and validation the leading international classifications include:

- European Commission: SFDR articles 8+ or 9
- UK FCA: Sustainability Improvers and Sustainability Impact
- US SEC: ESG Focused and ESG Impact
- GIIN: Global Impact Investing Network

### TAHITO Impact Investment Intent, Contribution and Measurement

In our philosophy which follows nature's lore we state that Māori ethics put the environment and people first and that this thinking is derived from our ancestral world view where everything is interconnected, and nothing exists of itself. Its ethics strive for balance and consensuality, its behaviour is complementary and co-operational, its target is reciprocity and harmony.

TAHITO enhances te Kōwhiringa Tapu with our sustainability impact objectives, progress measurement, tracking and disclosures in the TAHITO Te Utu Pānga – Impact Statement and process appended to this policy. See Appendix III.

**Theory of Change - Intentionality:** Te Utu Pānga - Impact is an outcome of a leadership culture and behaviour change. **He huringa mai i te rawa ki te oranga me te mauri ohoho** (A shift from wealth to wellbeing and life's vital essence).

This requires a transformation towards the indigenous cultural ideology of 'Relational, externally connected and collective behaviours' alongside impactful, regenerative and circular economic principles and intent.

An Indigenous values approach to investing implies a holistic socio-ecological system based upon the principle 'Te hononga o nga mea katoa, kaore he mea i a ia ano (everything is interrelated nothing exists of itself)'. This is captured in Whakapapa.

**TAHITO impact intention:** A fund that over time achieves the following targets;

- **Te Pae o Ranginui:** Zero Carbon, Zero contaminating emissions.
- **Te Poho o Papa-tūā-nuku:** Zero Waste, Zero Pollution, Zero fossil fuels, circular economy, Positive Biodiversity regeneration.
- **Te Mana Taurite:** race and gender equality aligned to national statistics, remuneration within a 1 to 10 ratio, recognition and enhancement of indigenous rights and values.
- **Te Hapori Whanui:** Sustainable and regenerative communities. 10% or more of NPAT equivalent applied to benefit and enhance communities.
- **Te Ngākau Aroha:** Selflessness and compassionate leadership displaying complementary and co-operational behaviours, striving for balance and consensuality.
- **Mauri Ohoho:** Life force is of immense value. Wellbeing indicators showing physical and meta-physical peace harmony and balance.

See Appendix III for the full TAHITO Te Utu Panga: Impact Statement and further information on the TAHITO sustainability impact objectives, progress measurement, tracking and disclosures.



#### GIIN: Operating principles for Impact Management

1. Define strategic impact objective(s) consistent with the investment strategy
2. Manage strategic impact on a portfolio basis
3. Establish the Manager's contribution to the achievement of impact
4. Assess the expected impact of each investment, based on a systematic approach
5. Assess, address, monitor, and manage potential negative impacts of each investment
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately
7. Conduct exits considering the effect on sustained impact
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned
9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

### 13. TAHITO Exclusions (Negative Screens)

Concurrent with our TAHITO indigenous ethical screens, we screen for companies directly involved in what we have identified as undesirable business activities. We primarily use a combination of MSCI screening tools (detailed below) to identify and exclude companies directly involved in the activities listed below.

The MSCI screens used are:

- [MSCI Business Involvement Screening Research \(BISR\)](#) for business activities.
- [MSCI ESG Carbon Portfolio Analytics Report](#) and [MSCI Fossil Fuel](#) screen for reserves and any ties to fossil fuels.
- [MSCI Controversies and Global Norms](#) screen for human rights and/or environmental violations.

Palm oil is the only product related screen not covered by the MSCI ESG system. Palm Oil production and use is industry specific therefore not difficult to trace. There are also MSCI ESG factor level measures on palm oil that we monitor.

Note that we may still invest in companies identified by the MSCI screening tools where the MSCI flag is related to a business activity that is not on our exclusion list below. We may also decide not to invest in additional companies as a result of our positive screening (refer page 9: TAHITO and ESG Integration (Positive Screening) section for further details).

#### *Important to note*

- We define 'directly involved' as an activity that is named in the company's business description and / or identified in the MSCI BISR screen for that company, as detailed below. This approach differs from exclusions that relate to sources of revenue.
- Exclusions do not extend to companies that may be indirectly involved i.e. providing components for, or services to, excluded companies.

#### TAHITO exclusions:

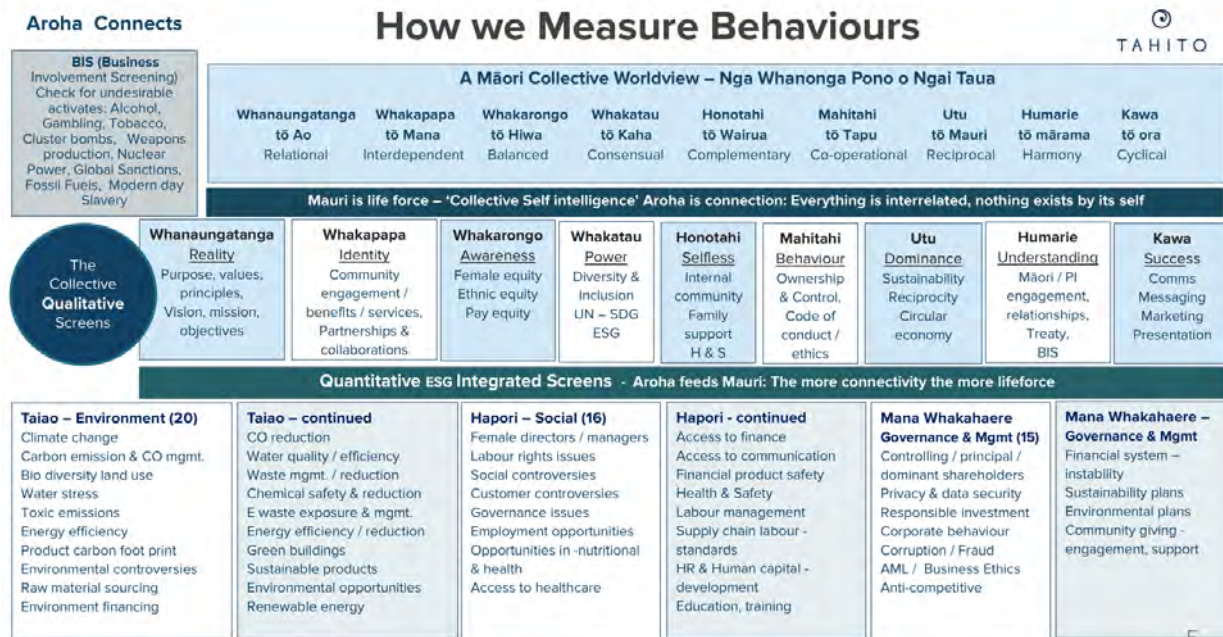
- Adult Entertainment: companies involved in the production, distribution or retailing of adult entertainment products.
- Alcohol Producers: companies that produce alcohol. (Note: we do not necessarily exclude companies that may sell alcohol within their business, as long as selling alcohol is not their primary business e.g. Retirement Homes).
- Civilian Firearms: companies that manufacture handguns, pistols, shotguns, rifles, revolvers and ammunition intended for civilian use.
- Global Sanctions: companies that have breached global sanctions listed by the United Nations Security Council (UNSC).
- Fossil Fuels: companies involved in fossil fuels extraction, mining and or the sale of fossil fuels. *Note: We do not invest in companies where production of oil derivatives and other fossil fuel derivatives is their core business i.e. the production of lubricants, asphalt, plastics, synthetic fibre, fertilisers, solvents, other oil derivatives.*
- Gambling: companies that own or operate gambling facilities or license their brand name to gambling products.
- Genetic Engineering (GE): companies that directly modify the genetic material of an organism, such as inserting, deleting, or altering DNA sequences to achieve desired traits. This can include techniques like CRISPR, gene therapy, and the creation of genetically modified organisms (GMOs). On the other hand, we may invest in companies that use stem cells to understand development, treat diseases, and regenerate damaged tissues.
- Human Rights & Environmental Violations: companies that have breached human rights and/or have committed material environment violations.
- Military Weapons: companies that manufacture conventional, nuclear, and controversial military weapons, systems, and components, and provide support services to those weapons, systems, components.
- Nuclear Power: companies that own or operate active nuclear power plants
- Palm Oil: companies involved in the production of palm oil products.
- Tobacco, Vaping, e-cigarettes and Nicotine Alternatives: companies that produce, distribute, retail, license or supply key tobacco products and services. Tobacco products include traditional nicotine-containing products and nicotine alternatives.
- No Female Board Representation: companies that do not have at least one female director (excluding temporary vacancies where a replacement is being sought). We apply a positive score to companies that have higher gender equity.

Most of these undesirable business activities are excluded during our TAHITO screening as they will generally have a low overall T score. For more information on the exclusions, see Appendix II: TAHITO Negative Exclusions – Explained. For more information on the screens, see the [MSCI Screened ESG Index Methodology](#).

## 14. How TAHITO Evaluates for Potential Negatives

Te Hātepe Haumi o TAHITO (The TAHITO Investment Process) is shown in the appendices. The process we call Te Kōwhiringa Tapu is enhanced by Te Utu Panga.

Potential negative effects refer to the negative environmental and social consequences of a business operation. Sometimes businesses with high ESG, sustainability and impact ratings may still have hidden or unreported negative consequences.



By definition a positive scoring system negates negative effects. By extensively measuring good, the opposite (bad) is also magnified.

TAHITO mitigates the risks of potential negative effects through our Te Ao Māori worldview and our ESG-integrated positive scoring system. These principles are embedded in Te Kōwhiringa Tapu, our Māori holistic socio-ecological decision-making framework, and are further enhanced by Te Utu Panga – our impact target measures. We believe that conducting holistic due diligence across a wide range of non-financial metrics, as demonstrated in the accompanying slides, provides a comprehensive approach to identifying and reducing potential negative effects in our portfolio. This process is further strengthened by direct research and continuous monitoring.

Our proprietary T scores, along with the Morningstar Five Globes sustainability rating, the Morningstar Green Tick certification, the MSCI carbon portfolio analysis, the MSCI ESG summary report, and RIAA Sustainable Plus and Responsible Leader certifications, provide evidence of our commitment to sustainability and responsible investment.

## 15. TAHITO and PRI (Principles of Responsible Investment)

TAHITO is not currently a signatory to the United Nations backed Principles for Responsible Investing (PRI), but we do adhere to these principles. We support and apply these six principles as set out by PRI:

- Incorporate ESG issues into our investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into our ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance our effectiveness in implementing the Principles
- Report on our activities and progress towards implementing the Principles.

TAHITO has incorporated PRI into our funds management systems and process and our business processes and practices.

## 16. Engagement

TAHITO is an active owner and an active manager. When we consider there to be significant issues or conflicts with respect to a company's strategic direction, values, remuneration, or other material matters, TAHITO will engage with senior management, and directors, and where possible other investors, to find an acceptable outcome.

If issues are significant or are not resolved in a reasonable timeframe TAHITO will divest of its interest. TAHITO may divest an investment quickly without engagement if the issue is extreme and has been verified directly by reliable authorities or sources.

Company annual and extraordinary meetings along with investor reporting forums provide an opportunity for engagement and allow us to ask ESG and TAHITO values and ethics-related questions.

## 17. Proxy Voting

TAHITO will vote on behalf of fund investors. We will vote all material resolutions at both annual meetings and extraordinary meetings. The voting will be directed by our values and ethics.



TAHITO applies an internal validation process for proxy voting via our internal Compliance Manager and senior analysts. All voting is recorded and reported to the TAHITO Investment Committee.

A record of all voting is available to clients on request and included in our quarterly reports (Te Hauwha... Tahi, Rua, Toru, Wha). We are also open to consult with clients, prior to voting on any significant high profile and contentious issues.

Shareholders commonly get to vote on two key matters: 1. Board elections and 2. remuneration reports, often including incentive and bonus plans. As a general principle, TAHITO will vote in support of promoting gender equity on company boards and wealth equity in remuneration.

- **Gender Equity:** We define gender equity as an equal number of male and female members on a Board, with near gender equity being within one member of this balance. If a Board does not meet or approach gender equity, we will vote in favour of any standing female candidates and against male candidates up for election or re-election.
- **Wealth Equity:** TAHITO views wage disparity in corporations, sports, and other sectors as a significant contributor to global inequity. Ideally, the difference between the median wage and the top salary should not exceed a multiple of 10. (TAHITO Wage Ratio Definitions: Great  $\leq 10$ , Moderate 11-15, High 16-30, Very High 31-50, Extremely High  $> 50$ ). Most listed companies have wage ratios that are very high or above. When a company exhibits a high wage ratio or above, we will vote against the remuneration report and any incentive or bonus plans.

We acknowledge that the TAHITO equity principle may be challenging to appreciate from a Western perspective, but it is easily understood from an indigenous Māori worldview that prioritises the environment before people and people before profit.

## 18. Ethical, Sustainable, Impact Investment Development and Promotion

TAHITO team members regularly attend seminars, conferences and workshops relating to sustainable, ethical, impact and responsible investing. Occasionally a TAHITO member may have a presenter or panellist role at these events.

TAHITO promotes ethical, sustainable and impact investing within the ISG group of companies among key stakeholders and where practicable among the community.

## 19. Reporting

TAHITO communicates our ethical, sustainable, impact Investment activities and proxy voting to client investors quarterly via our fund commentary. Information on these activities is also provided to client investors and other stakeholders on request.

## 20. Assurance

The Policy is approved by the TAHITO Board and reviewed at least annually. Monitoring of adherence to the Policy includes:

- Monthly Investment Committee review of the portfolio against investment philosophy.
- Quarterly Board oversight of the portfolio against investment philosophy.



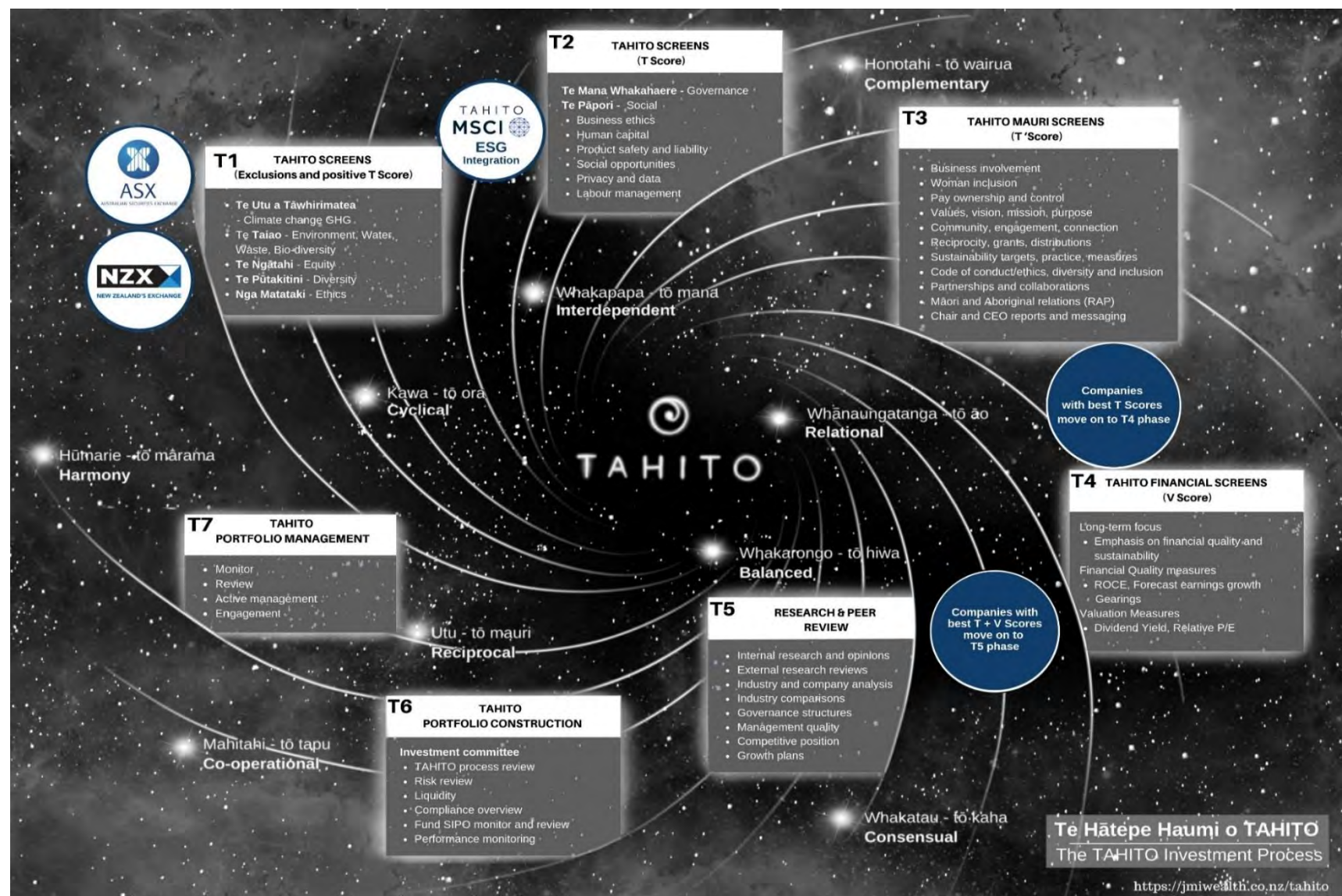
- Periodic independent validation that the quantitative ESG integrated aspects of the TAHITO Te Kōwhiringa Tapu (positive scoring model) are designed and operating effectively to select securities that align with TAHITO values, ethics and behaviours.
- Independent external reporting on alignment of the portfolio with TAHITO investment philosophy includes;
  - Mindful Money/Fund Badges,
  - Morningstar Sustainability Report,
  - MSCI ESG Quality Report,
  - MSCI Carbon Portfolio Analysis Report.

## 21. Responsible Investment Associate of Australasia (RIAA) Certification

The Fund originally obtained Responsible Investment Associate of Australasia (RIAA) certification in 2022. In 2023 and 2024 it was granted 'Sustainability Plus' status. This status requires annual re-certification, or more frequently when material changes are made.

Initial certification includes interviews as well as a full review of offer documents, fund performance, portfolio holdings, policies and stewardship activities and disclosures. Re-certification follows the same process.

## Appendix I: Te Kōwhiringa Tapu



## Appendix II: TAHITO Negative Exclusions - Explained

Māori Ethics put people and the environment first because both are fundamental to living and thriving. This thinking falls out of the ancestral Māori worldview which centres on connection and the interdependence of all things.

- Its ethics strive for balance and consensuality.
- Its behaviour is complementary and co-operational.
- Its target is reciprocity and harmony.

*We look for leadership with a high level of compassion and selflessness.*

*Our TAHITO Te Tai o Rehua Fund is a contribution toward a new global story of equity, sustainability and diversity. In order to achieve impactful social and economic purpose you first need leadership with the right belief, compassion and behaviours. Leaders who:*

*Believe that to create equity, environmental sustainability and regeneration we need to avoid further concentration of wealth and wealth polarization and strive for;*

*A quantum shift in economics - prioritizing community and environmental wellbeing over profit; and Are committed to 'a new story' of how we want the world to be.*

*The ideal is aspirational, we can only start a journey toward that destination, as did our tipuna when navigating by the stars.*

He aha ngā me motuhake o TAHITO? – What is unique about TAHITO?

The Māori World view is relational and interconnected, its foundation is captured in Whakapapa or genealogy. Our measures are informed by indigenous Māori values and a Māori world view which state that the environment has priority over people, people are more important than profit and the collective has prominence over the individual.

- We select companies purely on non-financial measures first before we begin financial analysis and portfolio construction.
- We primarily use a positive screen process integrated with ESG data on a values basis. Te Kōwhiringa Tapu is the propriety process for selecting securities.

What is a negative exclusion?

An exclusion is the act of barring a company's securities from being purchased for a portfolio due to business activities that are deemed unethical, harmful to the environment or society, or in breach of laws or regulations.

ESG criteria is often used to determine whether a company complies with the desired level of standards. If not, it can be removed from consideration in the investment process, denying the company access to capital.

### **What are the TAHITO negative exclusion screens and why?**

**Adult Entertainment and Pornography:** generally encourages discrimination against women, and is morally wrong because it exemplifies and recommends wrong behaviour toward women - specifically, the viewing of women as mere sex objects, rather than as active, full-fledged persons. Viewing of pornography by men has been linked to sexual violence against women.

**Alcohol Producers:** excessive alcohol consumption, abuse and alcohol addictions lead to significant physical and mental health issues, domestic abuse, and even suicide. Māori and indigenous peoples generally have disproportionate alcohol abuse and addiction levels. While moderate alcohol consumption is considered socially acceptable.

**Civilian Firearms:** ethical exclusion of companies that make firearms. There is clear research which shows that countries with robust firearms regulation, monitoring and licencing have less firearm related incidences in society.

**Global Sanctions:** Sanctions are an important tool of governance in the global financial industry. Most countries have used sanctions or had sanctions placed against either them or their citizens. Sanctions are used to fight economically, rather than physically, and as such, sanctions are a common tool in foreign relations, peacekeeping and conflict resolution. The UN Security Council composes the sanctions – each of which is backed by a UN Security Council Resolution. The UN has no direct legislative power within member-states, so it falls to domestic legislative authorities to enforce UN sanctions.

**Fossil Fuels:** Climate change environmental, ethical and sustainability issue. All Hydrocarbons (oil, gas and coal) substances contribute to the greenhouse effect, and the depletion of the ozone layer. They also reduce the photosynthetic ability of plants, increase cancer rates in humans and animals, and increase the risk of respiratory illness. The most well-known and well-documented hydrocarbon hazard is oil spills. Further, most plastic in use today comes from hydrocarbons derived from fossil fuels. The following are MSCI ESG factor screen definitions for Fossil Fuels.

*Fossil Fuel Reserves: This field identifies companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves (i.e. 1P and 2P) for coal and proved reserves (i.e. 1P) for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves, and companies making a statement about their ownership of reserves.*

*Fossil Fuels - Any Tie: Companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not flag companies providing evidence of owning metallurgical coal reserves.*

**Gambling:** problems with gambling can lead to bankruptcy, crime, domestic abuse, and even suicide. Māori and indigenous peoples generally have disproportionate gambling addiction levels. As People often living in more deprived areas, Māori and Pacific ethnicities are at greater risk of ‘problem gambling’ than those of other ethnicities. Māori and Pacific peoples are more highly represented in neighbourhoods of high deprivation.

**Genetic Engineering (GE):** five sets of ethical concerns have been raised about Genetically Modified crops: potential harm to human health; potential damage to the environment; negative impact on traditional farming practice; excessive corporate dominance; and the 'unnaturalness' of the technology. In the future GE may make a significant contribution to reversing or managing the global issues we face today, in the meantime we apply a wait and watch approach.

**Human Rights and Environmental Violations:** a lack of legal regulation and enforcement of industrial and artisanal mining, large-scale dams, deforestation, domestic water and sanitation systems, and heavily polluting industries can lead to a host of human rights violations. We rely on the MSCI ESG research to identify these violations, backed by our own research.

**Military Weapons:** Ethical exclusion. The social, environmental and financial impact of war and misuse of firearms and all weapons are well documented.

**Nuclear Power:** a major environmental concern related to nuclear power is the creation of radioactive wastes such as uranium mill tailings, spent (used) reactor fuel, and other radioactive wastes. These materials can remain radioactive and dangerous to human health for thousands of years.

**Palm Oil:** the biggest impact of unsustainable palm oil production is the large-scale devastation of tropical forests. A further significant impact is the widespread habitat loss for endangered species.

**Tobacco, Vaping, e-cigarettes and Nicotine Alternatives:** Ethical exclusion, due to its disproportionate negative health impact on Māori and indigenous peoples.

**No Female Board Representation:** In recognition of gender equality, companies without a female on the board are excluded. We also have positive screens for both gender and ethnic diversity on boards and in senior management or executive level.

Below is an example of an MSCI BISR screen summary from the MSCI ESG system:

Business Activity	Involvement
Abortion, Abortifacients and Contraceptives	No
Adult Entertainment	No
Alcohol	No
Animal Welfare	No
Defence/Weapons-Related Activities	No
Civilian Firearms	No
Fur	Not Subscribed
Gambling	No
Genetic Engineering	No



Business Activity	Involvement
Nuclear Power	No
Pork Products	No
Predatory Lending/CRA Rating	No
Stem Cell Research	No
Tobacco	No

Qualitative Corporate Responsibility	Information?
Child Labour	-
Women Board Members	Yes
Global Sanctions	-

## Appendix III: TAHITO Te Utu Panga: Impact Statement

# He Ao Whakahou– A Regenerative World

## TAHITO Te Utu Pānga

- A. Identifying Impact (Utu Pānga) through behaviour change
- B. Taku Manakitanga - Ethics of Care
- C. Te Whakarāpopoto o Ngā Matatiki me ngā Utu Pānga – Identifying Impact
- D. Ngā Utu Pānga o TAHITO – Impact Targets (Te Takunetanga - Intentionality)
- E. Te Aronga - Purpose
- F. TAHITO Impact Targets explained
- G TAHITO Te Utu Pānga (Impact Targets) - Alignment to SDGs

TAHITO measures behaviour change:

**Theory of Change - Intentionality:** Te Utu Pānga - Impact is an outcome of a leadership culture and behaviour change. **He huringa mai i te rawa ki te oranga me te mauri ohoho** (A shift from wealth to wellbeing and life's vital essence).

This requires a transformation towards the indigenous cultural ideology of 'Relational, externally connected and collective behaviours' alongside impactful, regenerative and circular economic principles and intent.

An Indigenous values approach to investing implies a holistic socio-ecological system based upon the principle 'Te hononga o nga mea katoa, kaore he mea i a ia ano (everything is interrelated nothing exists of its self)'. This is captured in Whakapapa.

**TAHITO impact intention:** A fund that over time achieves the following targets;

- **Te Pae o Ranginui:** Zero Carbon, Zero contaminating emissions.
- **Te Poho o Papa-tūā-nuku:** Zero Waste, Zero Pollution, Zero fossil fuels, circular economy, Positive Biodiversity regeneration.
- **Te Mana Taurite:** race and gender equality aligned to national statistics, remuneration within a 1 to 10 ratio, recognition and enhancement of indigenous rights and values.
- **Te Hapori Whanui:** Sustainable and regenerative communities. 10% or more of NPAT equivalent applied to benefit and enhance communities.
- **Te Ngākau Aroha:** Selflessness and compassionate leadership displaying complementary and co-operational behaviours, striving for balance and consensuality.
- **Mauri Ohoho:** Life force is of immense value. Wellbeing indicators showing physical and meta-physical peace harmony and balance.

## Te Tauākī Kawekawe o TAHITO - Impact Statement

Ma nga whakatauiratanga o te ao tahito, e rari ai nga hua e manakohia i te ao turoa. Ma te tuhono ki a rangi ki a papa ki nga atua katoa, e whitawhita mai te ahi o te ao taketake.

*By raising our ancestral knowledge, we can increase our aspiration of a balanced natural world. By connecting with our ancestors of Sky, Earth and all of their decedents, we can re-ignite regenerative behaviours, balance and harmony.*

Informing our impact statement are TAHITO values, ethics and are premised on the following principles \*

Manahua te tapu o Tahito-kī	best ancestral thought
Tahito-kōrero	best ancestral word
Tahito-wānanga	best ancestral action
Manahua te tapu o Tahito-ngāwari	best ancestral mastery
Tahito-hou	best ancestral future
Tahito-mārangaranga	best ancestral awakening
Manahua te tapu o Tahito	best ancestral spirit

Our challenge is a bit of a square peg round hole problem, in that we are dovetailing a holistic socio-ecological system into a capitalist model largely underpinned with exploitative GDP economic growth measures and negative non environmentally and socially accountable capital structures.

### A. Identifying Impact (Utu Pānga) through behaviour change

At an esoteric level our TAHITO Te Kōwhiringa Tapu investment process measures 'Aroha Connection'. In essence we are measuring behaviours. We measure the transition of companies from;

- the 'substantive', internally focused, self-absorbed behaviours,
- to the indigenous ideal of 'Relational', externally connected, collective, compassionate behaviours.\*

The Māori word 'Whakaawaewae' means to impact on or to influence. This is a more literal translation for impact which is defined as; having a marked effect or influence or to come into forcible contact with another object.

At TAHITO we prefer to use the description 'Te Utu Panga' – the function/act of reciprocity (utu).

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\* A description and explanation of our TAHITO values, ethics and their application can be found in Section 4 of the TAHITO ESG-SEI Policy. <https://tahito.co.nz/trans-tasman-equity-fund#investor-documents>

\* Further explanation of Te Kōwhiringa Tapu process at the T Score can be found in sections 6 and 7 of the TAHITO TAHITO ESG-SEI Policy.

Utu; is an important Māori concept concerned with the maintenance of balance and harmony in relationships between individuals and groups and order within Māori society. Māori personify all aspects of nature and consider them ancestors to whom we have a genealogical connection. Therefore, the environment is an integral part of Māori society.

**Te Utu Pānga describes the act of restoring harmony and balance, in this case between humans and the natural world.**

### B. Taku Manakitanga (Ethics of Care)

**Theory of Change - Intentionality:** Te Utu Pānga - Impact is an outcome of a leadership culture and behaviour change. **He huringa mai i te rawa ki te oranga me te mauri ohoho** (A shift from wealth to wellbeing and life's vital essence).

This requires a transformation towards the indigenous cultural ideology of 'Relational, externally connected and collective behaviours' alongside impactful, regenerative and circular economic principles and intent.

An Indigenous values approach to investing implies a holistic socio-ecological system based upon the principle 'Te hononga o nga mea katoa, kaore he mea i a ia ano (everything is interrelated nothing exists of its self)'. This is captured in Whakapapa.

TAHITO ultimately adds impact measures through 'Taku Manaakitanga' (Ethics of Care). We see Te Utu Pānga as an outcome of leadership culture. Cultural and behaviour change can be interpreted as compassion and selflessness in an organisation and is reflected in the level of non-financial externally and intentionality.

Following Nature's Lore: Putting the Environment before people and people before profit.

TAHITO follows a values-led holistic socio-ecological system or simply natural lore. Our initial T score process favours companies that;

- Set clear and achievable sustainability and regenerative targets
- Understand and measure their 'externalities'
- Adopt credible sustainability reporting systems
- Are transparent with and accountable to their non-financial measures
- Demonstrate how they intend to reduce or better these measures
- Ideally, they have incorporated or are moving toward circular economy type principles
- Have effective equity, diversity and community support policies and practices

TAHITO prefers to focus on and measure utu pānga in real and absolute terms. This means we look at the scale and quality of the environmental, social and cultural utu pānga that a company delivers or generates within the area / region (eco-system, land, water and air) they operate in. This also includes their communities, internal and external. As best we can, we incorporate subsidiaries and upstream and downstream suppliers they are connected with.

From a fiscal and capital aspect we measure utu pānga in absolute terms looking at the wider economic benefits, as opposed to the level of revenue generated by impactful products and/or services.

‘Large corporates with high procurement and supply demands and higher sector and industry weight, have far greater potential to influence and drive utu pānga and circular economy behaviours and outcomes when that intention is imbedded in their purpose and strategy.’

### C. Te Whakarāpopoto o Ngā Matatiki me ngā Utu Pānga – Identifying Impact

The following Taku Manaakitanga – Ethics of care, are the set of ethics and definitions used by TAHITO that enhance the TAHITO values and behaviour statements (see TAHITO ESG-SEI Policy). ‘Taku Manaakitanga’ informs ‘Ngā Utu Pānga Targets, and our impact measures are then aligned to our impact targets.

Taku Manaakitanga – Ethics of Care

- Ahau: (ethic of care for your company) Stewardship, Corporate Responsibility Statement, Board Charter, Vision, Values, Purpose – compassion, selflessness, transformational
- Whānau: (ethic of care for staff and the families of your staff) – Health and Safety, staff wellbeing, benefits for staff and the families of the staff
- Iwi: (ethics of care for the communities you impact upon) – Community engagement, community benefits, development and investment
- Ahurea: (ethic of care for races) – Diversity and Inclusion, indigenous rights and support
- Taihema: (ethic of care for genders) – Diversity and Inclusion
- Tangata: (ethic of care for humanity) –Human Rights, People and Culture; policies for remuneration, employment, performance planning and assessment, training and development, promotion and people management
- Momo: (ethic of care for species) – Biodiversity / Regenerative investment & projects
- Ao: (ethic of care for the environment) – Zero Carbon, Zero pollution, Zero fossil fuels, Zero waste
- Ao Tukupū: (ethic of care for the collective self-universe) Circular products and material, Wellbeing, Mauri

*“We cannot solve our problems with the same thinking we used when we created them”*  
(Albert Einstein)

For the purpose of identifying Impact, we have enhanced Te Kōwhiringa Tapu with our Te Utu Panga (Impact) measures.

### D. Ngā Utu Pānga o TAHITO – Impact Targets (Te Takunetanga - Intentionality)

The TAHITO impact intention is for a fund that is trending toward, and overtime achieves the following impact targets; (Aligned SDGs)

**Te Pae o Ranginui: (SDGs 7, 13) The Horizon of Rangi the Sky Father.**

- Zero Carbon: At least carbon neutral, companies that have attained carbon net zero CO<sub>2</sub>-e or carbon neutral or have set net zero emissions target dates and can show progress toward their target.



- Zero contaminating emissions: We look for companies that are aware of and measure all their emissions and aim to ensure there are no harmful contaminants in their emissions.

**Te Poho o Papa-tūā-nuku: (SDGs 6, 11, 12, 15)** The Breast o Papa-tūā-nuku, Earth Mother.

- Zero Waste: companies that monitor their waste, have set zero waste or lower waste to landfill targets and can demonstrate progress towards their target.
- Zero Pollution: a 'catch all', we look for companies with a strong preference toward stopping pollution at its source.
- Zero Fossil Fuels: we do not allow businesses involved in the production and sale of fossil fuels in the portfolio.
- Circular Economy: we measure and monitor the adoption and integration of circular economy systems and frameworks in businesses.
- Positive Biodiversity (Nature Positive) – regeneration: measure and monitor the company involvement and investment in biodiversity / regenerative projects and practices and favour companies with higher involvement and measurable outcomes.

**Te Mana Taurite: (SDGs 2, 3, 5)** Equality.

- Race equality: aligned to national statistics. We measure and monitor racial equality and favour companies with better results.
- Gender equality: At least achieving parity. We measure and monitor gender equality on the Board and in senior executive teams and favour companies with better results.
- Wage Ratio: Remuneration within a 1 to 10 ratio. We favour companies with lower wage ratios and would ideally like to see companies within a 1 to 10 ratio. (1 = the median wage)
- Recognition and enhancement of indigenous rights and values: We favour companies that acknowledge indigenous rights and have targets and programmes to either increase the employment of indigenous people and / or provide socio economic benefits to indigenous businesses and communities. We also recognise and favour companies that are incorporating indigenous values and principles into the business.

**Te Hapori Whanui: (SDGs 1, 2)** The wider Community.

- Te Hapori Whanui: means the wider community, in particular sustainable and regenerative communities. We look for and measure the monetary and in-kind contributions a company makes to remediate, support and enhance local communities. The ideal target is 10% or more of NPAT equivalent applied to benefit and enhance communities.

**Te Ngākau Aroha: (SDGs 3, 17)** Compassion and Selflessness.

- We look for selflessness and compassionate leadership displayed in vision, mission, conduct, policies and reporting. Companies displaying complementary and co-operational behaviours. Companies showing commitment to reduce the scale and impact of the economy to create a more sustainable and equitable society. Their metrics also prioritise compassion, empathy, and well-being in society.

**Mauri Ohoooho: (SDGs 16)** Awakening the life force / vital essence.

- We look for wellbeing indicators, companies that display and measure commitment and progress against Sustainable Development Goals. Companies that are not solely profit driven and show that they value the environment and people. They view the world through a wellbeing lens, showing physical and meta-physical harmony and balance.

**Our fund selects companies that are on this journey and measure their progress.**

*\*Appendix I provides further explanation of Te Utu Pānga measures and target.*

## E. Te Aronga - Purpose

The purpose of this supplement to the TAHITO ESG-SEI Policy is to connect the Māori Holistic socio-ecological system developed in Te Kōwhiringa Tapu (Māori indigenous investment selection process) with regenerative impact (Utu Pānga) investing theory of change and intentionality.

The TAHITO indigenous investment decision making system Te Kōwhiringa Tapu, is premised upon traditional indigenous Māori knowledge, values and behaviours and the ideology they represent. To have our TAHITO Te Tai o Rehua fund recognised and accepted as an impactful fund requires a translation of the TAHITO holistic indigenous system into the relatively recent fragmented yet connected modern understanding of sustainable, ethical and impactful finance and investment definitions.

The finance and investment professions are attempting to address global environmental issues through sustainable, ethical and impact investing and the five capitals. This investment practice is generally premised upon the UN Sustainable Development Goals (UN SDGs). The Paris Agreement, adopted in 2015, aims to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels. The agreement also aims to strengthen the ability of countries to deal with the impacts of climate change, through appropriate financial flows, a new technology framework and an enhanced capacity building framework.

<https://www.un.org/sustainabledevelopment/climate-change/>

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

While the UN SDGs are goals focused, it has been widely recognised that the ultimate requirement to solve global challenges is a culture and behaviour change along with transformational leadership. Behaviour change and transformational leadership has primacy in our Te Kōwhiringa Tapu process.

<https://www.undp.org/united-states/sustainable-development-goals>

<https://www.unep.org/news-and-stories/story/five-ways-behavioural-science-can-transform-climate-change-action>

The challenge we have is that the western Eurocentric worldview typically downplays and ignores non-Western contributions, and tends to contrast the Western philosophical study of nature with Indigenous knowledge and ways of knowing. However through the evolution of

knowledge, philosophy, science and metaphysics we are discovering a closer alignment of Traditional indigenous knowledge and modern science.

[https://livingknowledge.anu.edu.au/html/educators/02\\_questions.htm](https://livingknowledge.anu.edu.au/html/educators/02_questions.htm)

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1479546/>

<https://en.wikipedia.org/wiki/Eurocentrism>

[https://en.wikipedia.org/wiki/Traditional\\_knowledge](https://en.wikipedia.org/wiki/Traditional_knowledge)

## F: TAHITO Impact Targets explained

### Te Pae o Ranginui:

#### **Zero Carbon: At least carbon neutral**

*We look for and measure companies that have attained carbon zero or carbon neutral or have set target dates and can show progress toward their target.*

Zero carbon (greenhouse gases) means no carbon emissions are being produced from a product or service. Carbon neutrality is a state of net-zero carbon dioxide emissions. This can be achieved by balancing emissions of carbon dioxide with its removal or by eliminating emissions from society either through systems change, offsetting (external carbon credits) or in setting (internal carbon credit).

#### Definitions of scope 1, 2 and 3 emissions

Essentially, scope 1 and 2 are those emissions that are owned or controlled by a company, whereas scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it.

Scope 1 emissions: covers emissions from sources that an organisation owns or controls directly – for example from burning fuel in a fleet of vehicles (if they're not electrically-powered).

Scope 2 emissions: are emissions that a company causes indirectly when the energy it purchases and uses is produced. For example, for electric fleet vehicles the emissions from the generation of the electricity they're powered by would fall into this category.

Scope 3 emissions: encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain. An example of this is when a company buys, uses and disposes of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries.

#### **Zero contaminating emissions**

*We look for companies that are aware of and measure all their emissions and aim to ensure there is no harmful contaminants in their emissions.*

Air Pollution (contaminating emissions) refers to the presence of substances in the atmosphere that have a detrimental effect on humans and other living organisms. Separately, greenhouse gases are gases that have the ability to absorb and trap heat.

The toxicity or contamination levels in emissions vary according to industry type and processes.

Air pollution is contamination of the indoor or outdoor environment by any chemical, physical or biological agent that modifies the natural characteristics of the atmosphere.

Household combustion devices, motor vehicles, industrial facilities and forest fires are common sources of air pollution. Pollutants of major public health concern include particulate matter, carbon monoxide, ozone, nitrogen dioxide and sulfur dioxide. Outdoor and indoor air pollution cause respiratory and other diseases and are important sources of morbidity and mortality.

WHO data show that almost all of the global population (99%) breathe air that exceeds WHO guideline limits and contains high levels of pollutants, with low- and middle-income countries suffering from the highest exposures.

Air quality is closely linked to the earth's climate and ecosystems globally. Many of the drivers of air pollution (e.g. combustion of fossil fuels) are also sources of greenhouse gas emissions. Policies to reduce air pollution, therefore, offer a win-win strategy for both climate and health, lowering the burden of disease attributable to air pollution, as well as contributing to the near- and long-term mitigation of climate change.

[https://www.who.int/health-topics/air-pollution#tab=tab\\_1](https://www.who.int/health-topics/air-pollution#tab=tab_1)

## **Te Poho o Papatu-a-nuku:**

### **Zero Waste**

*We look for companies that monitor their waste, have set zero waste or lower waste to landfill targets and can demonstrate progress towards their target.*

Zero Waste means designing and managing products and processes to systematically avoid and eliminate the volume and toxicity of waste and materials, conserve and recover all resources, and not burn or bury them.

The simple answer to Zero waste: Aim to send nothing to a landfill, reduce what is needed, reuse as much as you can, send little to be recycled, and compost what cannot be recycled.

The less simple answer: Redefining the system. Transforming from the linear economy where resources are taken from the earth and then eventually dumped back into giant holes in the earth. The goal of zero waste is to move to a circular economy where trash is written out of existence. The circular economy mimics nature in that there is no trash in nature.

Instead of discarding resources, we create a system where all resources can be resumed fully back into the system.

<https://zwia.org/zero-waste-definition/>

### **Zero Pollution**

*Zero pollution is a 'catch all', we look for companies with a strong preference toward stopping pollution at its source. i.e. Eliminate or minimise mining and drilling for fossil fuels, metals and minerals.*

Zero pollution is defined as reducing discharges to air, soil and water to levels "no longer considered harmful to health and natural ecosystems." It is an ambitious goal that will need high levels of eco-innovation to succeed.

### **Zero Fossil Fuels**

*We do not allow businesses involved in the production and sale of fossil fuels in the portfolio.*

Most non-renewable energy sources are fossil fuels: coal, petroleum, and natural gas. Carbon is the main element in fossil fuels. The time period that fossil fuels formed (about 360-300 million years ago) is called the Carboniferous Period.



Burning fossil fuels is harmful for the environment. When coal and oil are burned, they release particles that pollute the air, water, and land. Some of these particles are caught and set aside, but many of them are released into the air. Burning fossil fuels also upsets Earth's "carbon budget," which balances the carbon in the ocean, earth, and air. When fossil fuels are combusted (heated), they release carbon dioxide into the atmosphere. Carbon dioxide is a gas that keeps heat in Earth's atmosphere, a process called the "greenhouse effect." The greenhouse effect is necessary to life on Earth but relies on a balanced carbon budget. The carbon in fossil fuels has been sequestered, or stored, underground for millions of years. By removing this sequestered carbon from the earth and releasing it into the atmosphere, Earth's carbon budget is out of balance. This contributes to temperatures rising faster than organisms can adapt.

(source: [education.nationalgeographic.com](http://education.nationalgeographic.com))

### **Circular Economy**

*We measure and monitor the adoption and integration of circular economy systems and frameworks in businesses.*

Circular economy is a system that aims to keep resources in use for as long as possible and reduce waste by creating a closed-loop system. In a circular economy, the emphasis is on designing out waste and pollution, keeping materials and products in use, and regenerating natural systems. The traditional linear economic model follows a "take-make-dispose" pattern, where resources are extracted, processed, and turned into products that are used and eventually discarded as waste. In contrast, a circular economy seeks to minimize waste and extend the life of products and materials.

Circular economy principles include reducing, reusing, and recycling materials and products, designing products for longevity and recyclability, and using renewable resources. This approach can benefit both the environment and the economy by reducing the amount of waste sent to landfills, conserving natural resources, and creating new business opportunities through the development of circular supply chains.

Overall, the goal of a circular economy is to create a more sustainable and resilient system that reduces environmental impacts and supports the long-term health and well-being of people and the planet.

### **Positive Biodiversity: regeneration**

*We measure and monitor the company involvement and investment in biodiversity / regenerative projects and practices and favour companies with higher involvement and measurable outcomes.*

Regenerative development is when natural systems have regained their ability to sustain and nourish life on this planet. Ecosystems are not static—you can't return an ecosystem to its original condition like you can with a painting or a vintage radio. An ecosystem, like any living thing, can never stand still and can only be in process—either a process of evolution, or a process of de-evolution. So to "restore" an ecosystem back to a particular state, the question is: Will it continue to evolve from that point forward? Or will it begin to decline again?

The answer has more to do with how human systems work than it does with how ecosystems work. If the place's human systems have not themselves transformed, then they will likely repeat the same cycle that caused the ecosystem to require "restoration" in

the first place. Traditional approaches manage this by simply keeping humans as far away from the ecosystem as possible through conservation easements and other instruments for protecting land.

Regenerative development takes a different approach, by asking the question: How can we re-align human activity with the evolution of this ecosystem? How can humans be partners in that evolution?

The answer to that question is different in each unique place. But it's important to recognize that the question has multiple levels. The first level is a design question—the question of how activities like agriculture, land development, and transportation can be designed to harmonize with and support local natural systems. You might even ask how the activity of restoring the ecosystem itself can be designed so that it can help to transform and build capacity in local people.

But another level, which is critical and all-too-often missing from the conversation, has to do with a community's narrative about itself. What does this community value about itself? What is it valued for by the larger world? How is that identity connected to the underlying natural systems that made the community what it is? And how can the members of the community be awakened to that connection in a way that unlocks the will to engage, in an organic and sustained way, with the design work that needs to be done at the first level?

It's when you begin to ask that level of question that you are working on regenerative development. In indigenous communities the community values are implicit. In Māori traditional systems people are not the centre.

<https://regenisigroup.com/regeneration-vs-restoration>

## **Te Mana Taurite:**

### **Race equality: aligned to national statistics**

*We measure and monitor racial equality and favour companies with better results.*

Racial equality is when people of all races and ethnicities are treated in an egalitarian / equal manner, despite any difference in physical traits. Racial equality occurs when institutions give individuals legal, moral, and political rights. In present-day Western society, equality among races continues to become normalised. Prior to the early 1960s, attaining equality was difficult for African, Asian, and Indigenous people. However, since then, in many other countries, racial equality has become part of laws generally ensuring that all individuals receive equal opportunities in treatment, education, employment, and other areas of life. (Wikipedia)

### **Gender equality: At least achieving parity**

*We measure and monitor gender equality and favour companies with better results.*

Gender equality, also known as sexual equality or equality of the sexes, is the state of equal ease of access to resources and opportunities regardless of gender, including economic participation and decision-making; and the state of valuing different behaviours, aspirations and needs equally, regardless of gender.

Gender equality is the goal, while gender neutrality and gender equity are practices and ways of thinking that help in achieving the goal. Gender parity, which is used to measure gender balance in a given situation, can aid in achieving gender equality but is not the goal

in and of itself. Gender equality is more than just equal representation, it is strongly tied to women's rights, and often requires policy changes..

The global equity movement for gender equality has increasingly incorporated the proposition of genders besides women and men, and gender identities outside of the gender binary:

- **Inclusion:** Many movements now recognize the spectrum of gender identities and experiences. This includes transgender, non-binary, genderqueer, and other identities.
- **Focus on Equity:** The goal has shifted from simply achieving equality between women and men to ensuring equity for all genders. This means addressing the specific challenges faced by non-binary and transgender individuals.
- **Examples:** The UN's HeForShe campaign, for instance, while initially focused on men advocating for women's equality, has broadened its message to be more inclusive. (<https://www.heforshe.org/en>)

### **Wage Ratio: Remuneration within a 1 to 10 ratio**

*We favour companies with lower wage ratios and would ideally like to see companies within a 1 to 10 ratio.*

In economics, the wage ratio refers to the ratio of the top salaries in a group (company, city, country, etc.) to the bottom salaries. It is a measure of wage dispersion. There has been a resurgence for the importance of equitable wage ratio. The amount of money paid out to executives has steadily been on the rise. "An April 2013 study by Bloomberg finds that large public company CEOs were paid an average of 204 times the compensation of rank-and-file workers in their industries. By comparison, it is estimated that the average CEO was paid about 20 times the typical worker's pay in the 1950s, with that multiple rising to 42-to-1 in 1980, and to 120-to-1 in 2000". The wage ratio is 324 to for the S&P 500 companies according to a 2021 study.

From an indigenous Māori world view pay inequity is a significant underlying cause of the challenges the world is facing such as climate change, biodiversity loss, food and water supply and quality. At TAHITO we believe this imbalance is linked to Western individualistic frameworks and goals where indigenous cultures are more aligned to the principles of collectivism.

### **Recognition and enhancement of indigenous rights and values**

*We favour companies that acknowledge indigenous rights and have targets and programmes to either increase the employment of indigenous people and / or provide socio economic benefits to indigenous businesses and communities.*

*We also recognise and favour companies that are incorporating indigenous values and principles into the business.*

The UN Declaration of Indigenous Peoples Rights addresses both individual and collective rights; cultural rights and identity; rights to education, health, employment, language, and others. It outlaws discrimination against indigenous peoples and promotes their full and effective participation in all matters that concern them.

The purpose of the rights of indigenous peoples is to enable Indigenous peoples to have the right to own, use, develop and control the lands, territories and resources that they

possess by reason of traditional ownership or other traditional occupation or use, as well as those which they have otherwise acquired.

### **Te Hapori Whanui:**

*Te Hapori Whanui: means the wider community. In particular sustainable and regenerative communities. We look for and measure the monetary and in-kind contributions a company makes to remediate, support and enhance local communities. The ideal target is 10% or more of NPAT equivalent applied to benefit and enhance communities.*

The indigenous world view puts the collective before the individual. Our TAHITO view is that rebuilding and strengthening communities and community spirit is essential in the transformation and behaviour changes that society requires to reach a state of harmony and balance with nature.

10% or more of NPAT equivalent applied to benefit and enhance sustainable and regenerative communities (non-financial return expectations, not a branding and market exercise, collaborations and partnerships – selfless / compassion)

Corporate social responsibility is a business model by which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment. CSR helps both improve various aspects of society as well as promote a positive brand image of companies. Corporate social responsibility is traditionally broken into four categories: environmental, philanthropic, ethical, and economic responsibility.

<https://www.resilience.org/stories/2022-03-29/how-corporate-dominance-is-driving-civilization-to-a-precipice/>

### **Te Ngākau Aroha:**

*We look for selflessness and compassionate leadership displayed in vision, mission, conduct, policies and reporting. Companies displaying complementary and co-operational behaviours. Companies showing commitment to reduce the scale and impact of the economy to create a more sustainable and equitable society. Their metrics also prioritise compassion, empathy, and well-being in society.*

Te Ngākau Aroha: is an indigenous Māori holistic socio-ecological measure. Relying upon the experience and knowledge of our key portfolio managers, a subjective score is attributed to a company from the assessment of a wide range of ethical, social and leadership quality data and collective information and connections aligned to Te Ngakau Aroha theme.

### **Mauri Ohoho:**

*We look for wellbeing indicators, companies that display and measure commitment and progress against Sustainable Development Goals. Companies that are not solely profit driven and show that they value environment and people. They view the world through a wellbeing lens, showing physical and meta-physical peace harmony and balance.*

Mauri Ohoho: is an intangible indigenous Māori holistic measure. Relying upon the experience and knowledge of our key portfolio managers, a subjective score is attributed to a company from a wide range of objective data and a subjective assessment of how the values, purpose and behaviours resonate into the integrity, culture and wellbeing of the company, their community and environment.

## G: TAHITO Te Utu Pānga (Impact Targets) - Alignment to SDGs

- **Te Pae o Ranginui:** Zero Carbon, Zero contaminating emissions



*Climate Action: To take urgent action to combat climate change and its impacts.*

*Affordable and Clean Energy: To ensure access to affordable, reliable, sustainable and modern energy for all.*

- **Te Poho o Papa-tu-a-nuku:** Zero Waste, Zero Pollution, Zero fossil fuels, circular economy, Positive Biodiversity regeneration



*Clean Water and Sanitation: To ensure availability and sustainable management of water and sanitation for all.*

*Sustainable Cities and Communities: To make cities and human settlements inclusive, safe, resilient and sustainable.*

*Responsible Consumption and Production: To ensure sustainable consumption and production patterns.*

*Life On Land: To protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss.*

- **Te Mana Taurite:** race and gender equality aligned to national statistics, remuneration within a 1 to 10 ratio, recognition and enhancement of indigenous rights and values



*Gender Equality: To achieve gender equality and empower all women and girls.*

*Reduced Inequalities: To reduce inequality within and among countries.*



- **Te Hapori Whanui:** Sustainable and regenerative communities. 10% or more of NPAT equivalent applied to benefit and enhance communities.



*No Poverty: To end poverty in all its forms and dimensions by 2030, including extreme poverty.*

*Zero Hunger: To end hunger and improve food security while promoting sustainable agriculture.*

*Good Health and Well-being: To ensure healthy lives and promote well-being for all, at all ages.*

- **Te Ngākau Aroha:** Selflessness and compassionate leadership displaying complementary and co-operational behaviours, striving for balance and consensuality.



*Partnerships for the Goals: To strengthen the means of implementation and revitalize the global partnership for sustainable development.*

- **Mauri Ohoho:** Life force is of immense value. Wellbeing indicators showing physical and meta-physical peace, harmony and balance.



*Peace, Justice and Strong Institutions: To promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.*

Here is a brief summary of each of the 17 United Nations Sustainable Development Goals (SDGs):

1. No Poverty: To end poverty in all its forms and dimensions by 2030, including extreme poverty.
2. Zero Hunger: To end hunger and improve food security while promoting sustainable agriculture.
3. Good Health and Well-being: To ensure healthy lives and promote well-being for all, at all ages.
4. Quality Education: To provide inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. Gender Equality: To achieve gender equality and empower all women and girls.
6. Clean Water and Sanitation: To ensure availability and sustainable management of water and sanitation for all.
7. Affordable and Clean Energy: To ensure access to affordable, reliable, sustainable and modern energy for all.
8. Decent Work and Economic Growth: To promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Industry, Innovation and Infrastructure: To build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
10. Reduced Inequalities: To reduce inequality within and among countries.
11. Sustainable Cities and Communities: To make cities and human settlements inclusive, safe, resilient and sustainable.
12. Responsible Consumption and Production: To ensure sustainable consumption and production patterns.
13. Climate Action: To take urgent action to combat climate change and its impacts.
14. Life Below Water: To conserve and sustainably use the oceans, seas, and marine resources for sustainable development.
15. Life On Land: To protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss.
16. Peace, Justice and Strong Institutions: To promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Partnerships for the Goals: To strengthen the means of implementation and revitalize the global partnership for sustainable development.

These goals were adopted by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development, and are meant to be a call to action for governments, businesses, civil society, and individuals around the world to work together to achieve a more sustainable future for all.





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