



## **Socially Responsible Investing (SRI) Policy**

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**Dates:** Policy Takes Effect: June 2017

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**Responsible Officer:** Head of Investments

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**Relevant To:** All Mint employees - this includes fixed term and temporary or contract employees and contractors and Directors of Mint

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Version	Date	Modifier	Document Changes
1	June 2017	Simon Haworth	This policy consists of material previously contained in the Risk Framework. It was considered appropriate to move this material into a standalone policy.
2	July 2018	Rebecca Thomas	Updated for changes to CIO / Head of Investments roles
3	January 2020	Anthony Halls	Updated Exclusions and added specific Climate Change wording

## Introduction

This Socially Responsible Investing (SRI) Policy sets out Mint’s control policy relating to certain investment related matters.

Mint believes that environmental, social and governance (ESG) considerations<sup>1</sup> enhance long-term risk-adjusted returns, through improving the risk analysis of a company.

Key areas addressed in this policy are:

- Mints overarching SRI Philosophy
- Mints Environmental, Social and Governance (ESG) negative screening process
- Mints integrated ESG investing process
- External ESG resources
- Voting Policy
- Engagement Policy
- Risk oversight of SRI portfolios managed
- Review

The list of excluded sectors and activities is in Appendix 1.

## Mint’s SRI Philosophy

Mint is a signatory to the “Principles for Responsible Investment” established by the United Nations (‘UNPRI’) which aims to provide a consistent framework for reviewing business practices across industries and companies. Mint reports on its ESG investment process framework and its controls to the UNPRI annually.

Mint’s primary obligation to investors is to deliver superior investment returns for an appropriate level of risk and consequently the principles are applied to the extent that they are consistent with this overriding objective.

Mint believes that investing in companies that incorporate ESG measures into their business can affect the performance of portfolios positively through reducing portfolio risk. Mint has an exclusion screen for unacceptable sectors, activities and securities (see Appendix 1). Beyond the exclusion screen, we embed ESG factors into our company research process (our Conviction scores).

Mint’s approach is to engage with companies rather than excluding a large range of companies or sectors, unless they are deemed to be outside an acceptable ESG framework (our exclusion screen). In order to deliver superior risk adjusted returns, Mint believes in being able to deploy its skill in the widest possible universe of investment opportunities.

## Climate Change

Climate change is an increasingly large aspect of SRI, with greater scientific and public acceptance of the phenomenon and consequent public and political attention on causes and mitigations. This rising awareness is likely to impact company cashflows – whether through explicit carbon costs, regulatory intervention or customer behaviour changes. NZ is a signatory to the 2015 Paris Agreement and climate change is specifically considered by Mint analysts in the Environment section of Mint’s investment process. Mint analysts have the discretion to red flag any particular company from the portfolios.

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<sup>1</sup> Distinction between SRI and ESG:

At Mint, Socially Responsible Investing (SRI) is an approach to investing that considers Environmental, Social and Governance (ESG) factors in our investment process; hence, the term SRI refers to our overall policy and approach to investing, while ESG refers to investment processes and criteria.

## Mint's ESG Negative Screening process

Negative screening refers to the exclusion of businesses from the investable universe that we believe are involved in activities that are contrary to Socially Responsible Investing. Mint applies this negative screening to all its portfolios both domestic and international, in addition to the ESG factors integrated into our process.

We do not apply a moral judgement in determining the Exclusion List, as that approach could potentially be counter to the primary obligation of delivering superior risk adjusted returns. Rather, we exclude companies and sectors where we believe the ESG risks cannot be substantially mitigated. Predominantly, our exclusions are based on NZ Government law, bi-partisan policy and/or international treaties that NZ is a signatory to.

## Mint's integrated ESG investing process

SRI investing refers to the concept of incorporating environmental, social and governance analysis into investment decision making in order to assess the long-term risks associated with underlying investments.

ESG factors are integrated throughout the Mint investment process, under the responsibility of the Head of Investments as Mint's designated SRI leader, and delegated through to the individual portfolio managers. Mint has a bottom-up stock assessment approach so the individual analysts are deeply involved in this process.

Mint analysts build up a Conviction Score from the combination of quantitative and qualitative assessments of a company's growth potential, relative valuation, income sustainability, management and ESG factors. The Conviction Score is used to rank companies in the investment universe for potential inclusion in the portfolio.

The E, S and G factors make up approximately half of the overall qualitative component of our Conviction score. Our analysts assess:

1. Environment:
  - a. Board and Executive understanding of environment and climate exposures
  - b. The environmental intensity of the business operations
  - c. Environmental and climate change risk management
  - d. Environmental efficiency improvements and emission reduction targets
  - e. Production of goods or services that assist customers in managing their environmental needs
2. Social:
  - a. Social risks of the business operations
  - b. Equality of treatment within the business
  - c. Workplace safety
  - d. Industrial relations track record
  - e. Privacy practices
  - f. Identification of labour standards and issues through the supply chain
3. Governance:
  - a. Independence of the Board
  - b. Skills and diversity on the Board
  - c. Tenure of Board members
  - d. Board and management dynamic

Each category includes a facility for the analyst to red flag a company on any specific issue (e.g. where a company has a high carbon impact risk). Red-flagged companies are not invested in until the issue is resolved or improved. Companies with strong ESG scores are promoted within the Conviction list (and vice-versa), from which the final portfolio is constructed. The final decision on this is the responsibility of the respective Portfolio Manager.

## External ESG resources

Mint regularly evaluates access to the ESG databases and services offered by specialist providers. We currently are subscribers to the Sustainalytics and ISS services, predominantly for our international holdings. In the context of NZ/AU portfolios we rely primarily on our own research.

## **Engagement policy**

All members of the investment team have long experience of active engagement with company management and boards in respect of governance and other issues that may affect near term investment performance and also long term risks that could arise from poor ESG awareness.

Mint is also a founder member of the New Zealand Corporate Governance Forum (NZCGF) and has previously acted as the Secretariat and Chair for Forum meetings. Mint staff also engage with the NZCGF working policy groups. Mint will work with groups such as the UNPRI, Australian Council of Superannuation Investors (ACSI), Philanthropy New Zealand (PNZ) the Responsible Investment Association of Australasia (RIAA, formerly known as the Ethical Investment Association) to achieve genuine, measurable and permanent improvements in the ESG performance of our investments.

## **Voting Policy**

We believe that as an institutional investor we should encourage companies in which we invest to adopt high standards of corporate governance. Mint acts proactively in communicating constructive views on company strategy and balance sheet issues to senior management or to the Board, as appropriate.

Our investment policy necessitates that we have a strong belief in the ability of a board to deliver returns and strategies, which are in the best interests of shareholders. Therefore, Mint votes on all resolutions.

Mint records all voting and where activist voting and engagement is taking place, records the detail of this on its internal ESG Engagement database. All engagements with investee company Boards, management or related groups are pre-planned, meetings are minuted and post-meeting outcomes reviewed for further action if necessary.

Mint utilizes ISS to record all votes. This ensures our audit trail of votes cast. Whilst ISS research views of NZ/AU stocks are available, Mint votes according to our own policy guidelines.

## **Risk oversight of SRI portfolios managed**

The Mint SRI fund is an ESG-slanted New Zealand-only equity portfolio. This portfolio also actively excludes sectors and stocks through negative screening as well as incorporating stocks for this portfolio using its proprietary ESG investing process.

Oversight of ESG-slanted portfolios is detailed in the respective Statement of Investment Policies and Objectives (SIPO) and the Mint Investment Risk Management (IRM) Policy.

## **Review**

This Policy is intended to be reviewed annually.

# APPENDIX 1

## Excluded Sectors and Activities

Sector	Rationale
Tobacco production	Social impact; WHO Framework Convention on Tobacco Control 2005; The Smoke-free Environments Act 1990, and subsequent amendments.
Armament production	Social Impact; Cluster Munitions Convention signed by the New Zealand Government in 2008
Uranium Mining	Treaty on Non-proliferation of Nuclear Weapons; New Zealand Nuclear Free Zone, disarmament, and Arms Control Act 1987
Pornography production	Social Impact; The Child Pornography Prevention Act 1996
Whaling	Environment Impact; NZ membership of the International Whaling Commission which has had a moratorium on commercial whaling since 1982.
Fossil Fuel Extraction, including: <ul style="list-style-type: none"><li>• Integrated Oil &amp; Gas</li><li>• Oil &amp; Gas exploration and production</li><li>• Coal Mining</li></ul>	Environment Impact; The Paris Agreement within the United Nations Framework Convention on Climate Change (signed and ratified by NZ in 2016). The Climate Change Response (Zero Carbon) Amendment Act 2019