Stewardship Policy

September 2023

Dates:	Policy Takes Effect: June 2023
Responsible Officer:	Head of Responsible Investment
Relevant To:	All Mint employees - this includes fixed term and temporary or contract employees and contractors and Directors of Mint

Version	Date	Modifier	Document Changes
1	June 2023	Rachel Tinkler	Formalisation of stewardship policy as a separate policy to Mint's Responsible Investment policy.
2	September 2023	Rachel Tinkler	Clarify asset class application.

Stewardship at Mint

All companies face varying levels of ESG risks. We integrate ESG considerations into our investment process to allow us to analyse the most material ESG risks companies are exposed to. However, it is not possible to exclude all ESG risk from our portfolios. Instead, we expect companies to manage these risks appropriately and work towards more sustainable practices. We prefer to be invested in a company to allow us to positively influence their practices, thus reducing the risk to our investments. We have chosen this approach over exclusions or divestment, as divesting reduces our ability to have such an influence. By choosing this approach, we therefore have a responsibility to perform stewardship activities.

Definitions & objectives

We are a signatory to the United Nations-supported Principles for Responsible Investment (PRI), and we adopt their definition of stewardship: “the use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns, and client and beneficiary interests, depend.” The tools available for stewardship activities include engaging with investee companies (both current and potential), voting at shareholder meetings, consulting with policy makers and standard setters, and working collaboratively with other stakeholders.

We also agree with the PRI’s definition of engagement: “interactions and dialogue conducted between an investor (or their service provider) and a current or potential investee, or a non-issuer stakeholder (e.g., a policy maker), to improve practice on an ESG factor, make progress on positive sustainability outcomes, or improve public disclosure.” Sustainability outcomes are defined as the positive and negative effects of investment activities on people and/or the planet and are understood in the context of global sustainability goals and thresholds.

Mint’s primary stewardship objective is to maximise our portfolio-level risk-adjusted returns by addressing the most material ESG risks companies in our portfolio, or a potential investee, is facing. This requires us to address any risks to overall portfolio performance caused by individual investees’ contribution to systemic sustainability issues. Systemic sustainability issues are those that pose systematic risks[1] to the common economic, environmental, and social assets on which returns, and client interests, depend.[2] Systemic sustainability issues can, and should, be influenced through responsible investment activities.

Engagement activities will vary depending on:

- The mandate of the fund.
- The size of the holding.
- The materiality of ESG risk factors identified.
- Our ability to affect change.
- The context of the investee company and the wider economy.
- Our resourcing and capability.

These factors are covered in more detail below.

Mint’s Stewardship Policy and stewardship activities apply to our direct equity and fixed income investments. These asset classes make up the majority of our assets under management (AUM). We have concluded the resource required to be an active steward of our other asset classes (alternatives, cash & cash equivalents, and indirect investments) is better dedicated to the stewardship activities of the majority of our AUM.

[1] Systematic risk is risk that transmits through financial markets and economies and affects aggregate outcomes, such as broad market returns.
[2] PRI definition.

Our priorities

In the context of upholding our fiduciary duty, Mint must address the most material risks our investee companies face. What is material is a dynamic concept. Materiality is driven by changes in legislation and policy, in risk and understanding of risk, in the social, environmental and economic impacts of specific businesses or industries, and by changes in societal expectations and norms.

Our world is facing a raft of challenges and systemic issues that are becoming increasingly urgent to solve. Mint is aware of these risks, and we have prioritised them in our stewardship activities to try and positively influence them. While there are more systemic issues than just those listed below, we recognise we can't tackle them all. We have chosen to focus on these in the year ahead, for reasons discussed below.

1. **Climate change.**
   Climate change risk is a priority for us given the significant scale, scope and irremediable character of its impacts. The cyclone and flooding events in New Zealand in early 2023 have brought this issue into sharp focus for all Kiwis. Further, there are numerous signals from regulators that this should be a priority issue – not least the fact that climate-related disclosure reporting is now mandatory in New Zealand for large businesses.

2. **Modern slavery.**
   An estimated 50 million[3] people are currently living in modern slavery. It is severe exploitation that a person cannot leave due to threats, violence, coercion deception and/or abuse of power. Modern slavery includes forced labour, forced marriage, debt bondage, human trafficking and the sale and exploitation of children. While it is much more prevalent in some other countries, there are an estimated 8,000[4] people in New Zealand living in modern slavery.

The mechanisms that will be used to address these systemic issues create both risks and opportunities for companies. For example, governments around the world are setting net zero and carbon neutral targets. The tools used to meet these targets might include banning some types of internal combustion engines, setting up carbon pricing schemes, or facilitating the flow of low-cost capital to environmentally friendly projects. For companies that rely on high carbon operations, these mechanisms present a clear risk as costs increase or revenue streams are impacted. But they also bring opportunities for those companies that can provide alternatives to internal combustion engine vehicles, or that need better access to capital for their green projects. As an active manager, Mint can work with companies to reduce the risks and capitalise on the opportunities these mechanisms produce.

We expect issues to arise through the year that fall outside of these broad issues – e.g. market events or company actions – which we will also engage on. We will set targets for these engagements as they arise, as appropriate.

[3] https://cdn.walkfree.org/content/uploads/2023/05/17114737/Global-Slavery-Index-2023.pdf
[4] https://cdn.walkfree.org/content/uploads/2023/05/17114737/Global-Slavery-Index-2023.pdf

Our process for prioritisation

Our focus on climate change and modern slavery was decided after considering several factors. First, the World Economic Forum (WEF) produces a Global Risk Report every year, identifying the most severe global risks over the short- (2 years) and long-term (10 years). Across both these timeframes, climate change-related risks are ranked at or near the top (and have been in previous reports for numerous years now). These include the failure to mitigate it, the failure to adapt to it, natural disasters and extreme weather events, and biodiversity loss and ecosystem collapse. The largest societal risk in the short term is the cost-of-living crisis, and in the long term large-scale involuntary migration – and these are both drivers of increased modern slavery.

Secondly, there is an increased regulatory focus on both these issues. New Zealand is the first country in the world to make climate reporting disclosures mandatory to report. New Zealand does not yet have Modern Slavery legislation, but it is on the agenda.

The tools available for Mint's stewardship activities include engaging with investee companies (both current and potential), voting at shareholder meetings, consulting with policy makers and standard setters, and working collaboratively with other stakeholders. We use all these tools, as explained below.

Stewardship in practice – engagement with companies

As an active manager with an established presence in the New Zealand market, engagement with companies has been part of our process for a long time. These engagements have typically focused on governance issues, but with the above systemic issues presenting risks to all companies and wider society, we are expanding our engagement into these areas.

<u>Engagement programme</u>

In setting our engagement programme for the year ahead, we have used a combination of top-down and bottom-up analysis, supported by external pieces of research and a consideration of the systemic issues we have chosen to focus on. We apply a risk-based approach to identify the areas of our portfolios where the risk of adverse impacts is most significant. Through this materiality assessment, we have identified the companies we will target for further engagement.

A summary of our engagements for the year ahead:

1. **Climate change.**
   There is a saying "what gets measured, gets managed". Reporting on climate-related disclosures is now mandatory in New Zealand for large businesses. We have identified the companies that are the biggest contributors to our portfolio emissions and are the least prepared for the upcoming mandatory reporting. This reporting will only be useful if comparable across sectors and the market, so it's important it's done well. As a result of emissions tracking, companies can then start to set targets, and this is something we will engage with them on too.

2. **Modern slavery.**
   We have selected targets based on the sectors within New Zealand that are at the highest risk of modern slavery. Companies in our target list are across the horticulture, aged care, construction, and industrials sectors. We will begin our engagement with a modern slavery questionnaire to assess the company's understanding (or lack of) of the risks they face. This

questionnaire has been created with input from resources created by the RIAA Human Rights Working Group.

3. **Governance.**
   While not a systemic issue, poor governance is a significant contributor to increased non-financial (and financial) risk. We identify companies with the highest risk factors across a range of corporate governance metrics – such as board structure and shareholder rights – as identified by Institutional Shareholder Services (ISS), a third-party research provider. We combine this with analysis on business ethics within NZX50 companies, to decide our target companies.

Stewardship in practice – proxy voting

Purposefully and actively casting proxy votes is a key part of our fiduciary duty to maximise long term shareholder value and is a powerful avenue of stewardship. We actively vote shares on behalf of our clients for all holdings we have, or have been delegated, responsibility for. The final decision on voting for all these holdings is made by Mint. The only exception is the mandate we manage for one of our asset owners, where we make recommendations, but the asset owner has responsibility for the final vote.

There are two types of resolutions we can vote on – resolutions put forward by management, and resolutions put forward by shareholders. The following guidelines can be considered when making our voting decisions, and apply across both types of resolutions:

- The ESG score (proprietary or Sustainalytics) and performance of the company.
- Sustainability voting recommendations from ISS.
- Advancement on systemic issues (but particularly our priority ones).
- Adherence with Mint's guidelines across environmental, social and governance factors (see the ESG integration section of our Responsible Investment Policy).
- Focus on long-term sustainable value creation.
- Protect shareholder rights.
- Independent, effective, and accountable board structures.
- Remuneration structures aligned with long-term interests of stakeholders.
- Disclosure of accurate, adequate, and timely information.

For every vote, we receive recommendations from the sustainability policy research team at third-party research provider Institutional Shareholder Services (ISS). The advice from this team applies an increased level of scrutiny on ESG issues than the ISS standard policy research team does. For example, the sustainability policy might recommend a vote against a director due to the failure of the company to manage ESG risks, whereas the standard policy would only do so under extraordinary circumstances.

Voting is another tool we have that links in with our engagement programme. We can use it to escalate issues in situations where previous engagements have not yielded acceptable results, or progress is too slow.

For our substantial shareholdings, when we vote against a management resolution, we endeavour to discuss this with the company beforehand and explain our reasons. If we can't, then we will write to the company after the vote.

Mint's latest proxy voting statistics can be viewed here.

Stewardship in practice – engagement with policy makers and standard setters

The significant issues facing society require significant commitments and changes from governments to achieve sufficient change. We cannot underestimate the role financial market participants have in contributing to wider consultations, beyond just the realm of our investee companies, on these crucial issues.

We endeavour to respond to all consultations relevant to the responsible investment space. Where there are too many consultations on for the resource we have available, we prioritise those that could have the most impact on our stewardship objectives and engagement programme. We also work collaboratively with other stakeholders to produce group submissions, usually through the BIG group[5], the NZ Corporate Governance Forum[6] and the Aotearoa New Zealand Stewardship Code[7].

Mint's political engagement is limited to engaging with policy makers to contribute to specific policy developments.

Stewardship in practice – collaborative engagements

Given the range and extent of ESG issues society and companies face, we recognise we cannot solve these issues on our own. Continuous identification of non-financial risks is also highly resource intensive. Mint recognises the value of collective action and participates in collaborative engagements whenever possible.

When deciding whether to participate in a collaborative engagement, or initiate our own, we consider a range of factors:

- The materiality of the issue to our investments and the wider society we operate in.
- Whether collective engagement is likely to be more effective than unilateral engagement.
- The degree to which the objectives of the other investors are aligned to our own.
- The need for confidentiality.
- The context of the investee company and the wider economy.
- Our resourcing and capability.

<u>Global engagements</u>

Our global investments are a smaller number in the context of our assets under management (AUM). We also tend to be very minor investors in the global names we do hold. Therefore, it is prudent for us to prioritise collaborative engagements for Mint's global holdings.

We select collaborative engagements with companies we are a shareholder in whenever possible, but most of our collaborative engagements focus on improving the systemic issues we have chosen to focus on for the year ahead. These systemic issues present risk across all our funds and the wider society we operate in. We can better leverage the resource and access of collaborative

[5] The Boutique Investment Group (B.I.G) is a collection of New Zealand fund managers who share knowledge and critical thinking on regulatory, compliance and governance issues affecting our sector. https://www.bignz.org/
[6] https://www.nzcgf.org.nz/
[7] https://stewardshipcode.nz/

engagements, therefore having more of an impact on these issues than we could otherwise have if acting unilaterally.

Local engagements

We focus our engagement efforts on New Zealand and Australian companies given this is where most of Mint's AUM is invested. We prioritise collaborative stewardship efforts where we can, especially if the company is one identified within our targeted engagement programme. Collaborative stewardship activities usually occur within (but are not limited to) the member groups we are a part of, including RIAA, the PRI and the BIG group. Collaborative engagements are also an option for escalation if prior engagements with a company have not resulted in acceptable outcomes.

Escalation

We set and track sustainable outcomes in as many of our company engagements as possible. Our initial touchpoint will usually be with company management. If management is failing to achieve or make sufficient progress towards these outcomes, we have options for escalation. These include:

- Engaging with the Board.
- Voting at the next AGM – e.g., vote against the appointment of a director who has ultimate responsibility for the issue or support any relevant shareholder resolutions proposed.
- Raising the issue within our investor networks to create a collaborative engagement.
- Propose our own shareholder resolution.
- Make public statements.
- Divestment.

Decisions are made on a case-by-case basis and will not include all the above options together. If we believe the concerns relating to ESG factors are significant and we've been unable to elicit changes we consider necessary to mitigate those risks, we may consider divesting. Such factors as liquidity considerations and market forces will be considered before divestment. If divestment is confirmed as the appropriate option, we will do so as soon as practicable, in the manner most appropriate as to protect the financial interests of our clients (i.e., a rushed sale may involve significant transaction costs). However, divestment is a short-term solution to a long-term problem, and most ESG risks and solutions require a long-term lens, so divestment is a last resort option and is not expected to feature often.

Conflicts of interest

Mint's central objective when reviewing which companies we invest in and engage with, and how we vote, is to act in the best interests of our clients. We will seek to minimise the occurrence of material potential conflicts of interest, monitor any conflicts of interest, and prevent potential conflicts from becoming actual material conflicts. Conflicts may arise in the context of corporate governance and wider stewardship activity.

If a potential or actual conflict of interest arises, it will be raised with Mint's Head of Responsible Investment, Chief Operating Officer and Chief Executive Officer for resolution.

Reporting on stewardship activities

All stewardship activities and results are recorded internally in Mint's internal data platform, which automatically disseminates inputs to all members of the investment team by email. This ensures the wider team is kept up to date with developments and helps to ensure their consideration in investment decision-making.

Mint's latest proxy voting statistics can be found on the responsible investing page of our website, click here.

Review

This Policy is reviewed annually or more frequently if required.