



SOCIALLY RESPONSIBLE INVESTING (SRI) POLICY

Dates

Policy Takes Effect: June 2017

Approved

Mint Asset Management Board Meeting:

Responsible Officer

Head of Investments

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 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

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 enhance long-term risk-adjusted returns, through improving the risk analysis of a company. Incorporating ESG factors into investment decisions does not significantly reduce the investible universe for non-financial reasons, and in Mint's view enhances sustainable long-run returns.

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

In Appendices are the list of excluded sectors and activities, Mints ESG questionnaire for company evaluation and an example of Mints ESG Engagement database.

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. This is evaluated by UNPRI annually and the document is available publicly.

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 not inconsistent with this overriding objective.

Mint believes that investing in companies that incorporate ESG measures into their business can affect the performance of portfolios positively. Mint has an exclusion screen for unacceptable sectors, activities and securities. Companies that pass this screen are then evaluated in the research process to investigate and quantify the extent to which companies incorporate these considerations into the management of the business. This is one factor in the multi factor model which is used to rank securities for inclusion in client portfolios. The process allows Mint to engage with potential investee companies in a non-confrontational manner in relation to the conduct of their business.

Mint's approach is therefore pragmatic and realistic. It works by entering into a dialogue with potential investee companies rather than seeking to exclude a large range of specific companies or industrial sectors from the investment universe, unless they are deemed to be outside an acceptable ESG framework that they warrant being excluded. 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.

Mints ESG Negative Screening process

Negative screening refers to the exclusion of businesses from the investable universe that are, in Mint's opinion, involved in activities that may be harmful to people, animals or the environment.

Mint applies this negative screening to all its portfolios both domestic and international, in addition to the ESG factors integrated into our process.

In Appendix I is detailed the list of excluded investee companies, that derive operating revenues from the direct and material business involvement from negatively screened sectors or activities

The perception of the ethics of many activities is subject to ongoing revision as circumstances change. “Watch list” activities include (but are not limited to) fossil fuel exploration, production, storage and transportation; alcohol manufacture, distribution and sale; gambling; nuclear power and animal welfare.

Mints integrated ESG investing process

ESG 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 existing 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’s investment process has major emphasis on the Governance aspect of ESG, by way of positive scoring. Factors and aspects that we include in assessments are (but are not limited to):

- transparency and communication
- Board composition and skills
- track record of capital management
- incentivisation and remuneration alignment, particularly short and long term hurdles
- record of shareholder disputes or controversies
- internal risk and control measures

These are explicitly factored in by the respective analysts and carried through into the overall company scoring. 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 and management and governance factors. This Conviction Score is used in conjunction with the analyst’s estimation of valuation and target price, and thus the excess return, to drive the final assessment of a company. The Governance factor in total makes up a large portion of the final Conviction Score and is thus an extremely important component of our final stock assessment. Long term research indicates that there is a strong relationship between Governance and stock performance. Refer to the Mint Statement of Investment Performance and Objectives (SIPO) for a fuller description of how Mints investment team selects securities for inclusion in the respective portfolios.

Environmental and Social issues are factored into our investment process by way of negative/positive flags: either explicitly from the analyst from his/her research on the company’s track record in these areas in a general sense, or arising from very low E and S scores from the in-house database which is compiled by the analysts. These include (but are not limited to):

- environmental impact of operating activities
- environmental efficiency, such as resource and carbon intensity
- supply chain and management practices for pollutants, labour and safety

- alignment to labour standards, track record of human rights, workplace disputes
- rating of employee engagement and satisfaction
- rating of company's community engagement
- policies on controversial areas
- product safety systems, recalls and litigation history, consumer or client satisfaction

Stocks with poor ESG scores are then demoted within the Conviction stock list, from which the final portfolio is constructed. The final decision on this is the responsibility of the respective Portfolio Manager. Long term research does not show conclusive evidence of strong correlations between E and S scores and stock performance, however Mint believes the risks from possible E and S issues are not well priced by financial analysts and we incorporate these ratings alongside G scoring to provide a full 'balanced scorecard' for all assessed companies.

Appendix II lists the current questionnaire for E, S and G issues that the Mint analysts use to finalise their rating of the company.

External ESG resources

Mint regularly evaluates access to the ESG quality and transparency scoring databases and reports offered by providers such as MSCI, Sustainalytics, ERISA, CGI Glass Lewis, ISS and others that can be accessible via FactSet, Mint's research data platform. We believe that this research is can be a useful supplement to our own Governance research input. However, in the context of NZ/AU portfolios we do not currently subscribe to third party research. Mint does receive ESG qualitative and quantitative research from global sell-side brokers which tends to largely concentrate on governance, voting and issue or event specific aspects.

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.

In Appendix III there is an example of Mints ESG engagement database, where we record all ESG-related meetings and follow ups.

Mint is also a founder member of the New Zealand Corporate Governance Forum (NZCGF) and Mint currently act as the Secretariat and Chairs Forum meetings. Mint staff also engage with eth 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.

Specifically, Mint focusses on:

- Board composition and engagement through attendance at meetings,
- Returns to shareholders rather than assuming the company has a life of its own,
- Diversity to avoid a “group think” board that won’t challenge decisions and to ensure it has the appropriate range of skills,
- Governance-tested by past decisions and future investment/divestment plans,
- Board remuneration policies and their transparency,
- Executive remuneration framework including incentivisation targets and their transparency,
- Risk and capital management policies,
- Health, safety, social and environment policies.

Mint records all voting and where activist voting and engagement is taking place, records the detail of this on its internal ESG Engagement database (note Appendix III). All engagements with investee company Boards, management or related groups are preplanned, 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

Mint currently manages a Mint wholesale fund which 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 these portfolios is detailed in the respective Statement of Investment Performance and Objectives (SIPO) and the Mint Investment Risk Management (IRM) Policy.

Review

This Policy will be reviewed annually.

APPENDIX 1

Excluded Sectors and Activities

Table 1 Frequency of risk controls reporting and responsibility

Sector	Securities	Rationale
Tobacco manufacture	All	Social impact; WHO Framework Convention on Tobacco Control 2005; The Smoke-free Environments Act 1990, and subsequent amendments.
Armament production	All	Social Impact; Cluster Munitions Convention signed by the New Zealand Government in 2008
Uranium enrichment	Extension of the Armaments exclusion above; the use of uranium for nuclear explosives	Treaty on Non-proliferation of Nuclear Weapons; New Zealand Nuclear Free Zone, disarmament, and Arms Control Act 1987
Pornography production	All	Social Impact; The Child Pornography Prevention Act 1996

APPENDIX II

ESG Template

[Company Name]

Environment

1. Is there potential environmental impact from operating activities in terms of carbon pollution, air pollutants, water pollution, land clearing / use, biodiversity loss and hazardous materials?
2. Has the company implemented, invested in or realised any significant environmental efficiency improvements in the past three years?
3. Does the company have robust environmental practices, taking into account policies for dealing with, and any track-record of, environmental incidents including pollutant releases, chemical or other spills, fines, compliance breaches or litigation?
4. Does the company produce products, services or processes that assist customers in managing their own environmental needs? How material are these factors to earnings?
5. Has the company undertaken any research on, or preparations for, risks associated with climate change?

Social

1. Is there any incidence of human rights violations, workplace and industrial relations disputes, litigation, discrimination and harassment claims?
2. How good is the company's employee engagement and satisfaction, taking into account staff turnover, remuneration and productivity, industrial relations disputes and internal net promoter scores?
3. How good is the company's occupational health and safety performance, taking into account any track-record of safety incidents, injuries, and deaths?
4. How strong is the company's community engagement and are there risks to the company's social license to operate?
5. How strong are the company's product safety systems and policies, taking into account any track-record of product recalls, as well as product waste and disposal?

6. How strong is the company's data privacy systems and policies, taking into account any track-record of hacks, litigation or other controversies?

Governance

1. Is the Board majority independent?
2. Is the CEO and the Chair the same person? Is the former CEO a current member of the Board?
3. Does the company undertake ESG reporting under a globally recognised standard?
4. How closely are management incentives and remuneration, particularly hurdles, aligned with shareholder interests and corporate governance standards?
5. Have there been any significant shareholder disputes or controversies over executive remuneration in the past two years?
6. How strong is the Board's experience, expertise and track-record in adding value and protecting shareholder interests?
7. Have there been any significant shareholder disputes or controversies over the quality or effectiveness of management in the past two years?
8. How good is the company's shareholder communication and corporate disclosure?
9. How good are the company's internal risk and control mechanisms?

APPENDIX III

Mint ESG engagement database example

MINT ESG ENGAGEMENT DATABASE										
Stock code (Tactset)	Company Name	MINT holding if any	ESG Code (I/J/S/G)	ESG Issue(s) if any	Meeting Date	Mint Attendee	Meeting Context Summary	Meeting Outcome and next steps	Contact Name	Contact Title
ATM-NZ	A2 Milk	1.5% in AET	G	Potential takeover bids by Deane and Freedom Foods. General strategic direction in UK, US, and China expansion.	20-Aug-15	PR	Result overview at GS offices	Await a capital raise from ATM	Geoff Babbage	
CEN-NZ	Contact Energy	c5% in AET and GUS	G	Long running issues with Origin (RG AX) dominating Board and Company strategy but ORG has now exited. Chairman Pyrie and ORG Director Beeren stepping down	27-Aug-15	PR and AH	process to find new Chairman - they want someone from NZ, experienced with large company transformations. No info on who this might be. Timeframe in 2-3 weeks and finalised before AGM in December.	AH and PR to write letter to Pyrie suggesting potential Chairman candidates	Phil Pyrie	Chairman
GNE-NZ	Genesis Energy	None	G and E	CEO Brantley resigning, general issue with its power plant issues and long run demand outlook	02-Sep-15	PR and AH	Discussed recent strategic decision no plant shutdowns and competitor behaviour, Brantley tenure	No issues	Rodney Deacon	IR
MET-NZ	MetLifeCare	2% of AET 0.5% of REIT	G	Board are taking more complete control of business management as CEO plans to step down. CEO search is underway but it appears MET Chair and Board may be challenged to run business in meantime and level of business knowledge is low and its competitive positioning risks are high.	15-Sep-15	PR and AH	Met Chair Kim Ellis to discuss CEO search progress, Board process, issues Board faces and level of intervention		Kim Ellis	Chairman of Board
GHC-AU	Generation Healthcare	2% of AET, 1% of REIT and 1% of DF		None - but questioning the level of cap rate compression that is doing asset re-rating and thus appetite for acquisitions	17-Sep-15	PR and CE	Discuss recent result, cap rate, asset valuation leaving even more room for assets, aged care segment	Continue to rate GHC Governance highly	Miles Valentine	CEO
FSF-NZ	Forsters	None	G, S and E	Mint does not own FSF units as its low Governance and Environmental scores combined with poor growth outlook and complexity result in it being excluded from the model portfolio. Mint met with CEO and CFO post the latest result to debate variety of issues - business performance, poor communication with stakeholders an suppliers, executive remuneration, overall governance and strategic direction. Board changes, balance sheet gaining risks to name a few	25-Sep-15	PR	Post result meeting at Macquarie with CEO Theo Spiering, CFO Lukas and new Head Capital markets Simon Till. No changes to Mints negative view have resulted from this meeting, despite the share price rebound	Continue to red flag FSF on Governance and has bottom quartile E rating. Mint may initiate meeting with FSF shareholder Board to express its concerns on overall Governance and CEO incentives package.	Theo Spiering	CEO

