



Socially Responsible Investing (SRI) Policy

Dates: Policy Takes Effect: June 2017

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

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. 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 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 (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.

Mints ESG Negative Screening process

Negative screening refers to the exclusion of businesses from the investable universe that we believe are 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.

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

1. Environment:
 - a. The environmental intensity of the business operations
 - b. Environmental risk management
 - c. Environmental efficiency and improvements
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
3. Governance:
 - a. Independence of the Board
 - b. Skills and diversity on the Board
 - c. Tenure of Board members
 - d. Board and management dynamic

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. However, 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 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 Policies and Objectives (SIPO) and the Mint Investment Risk Management (IRM) Policy.

Review

This Policy is 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