

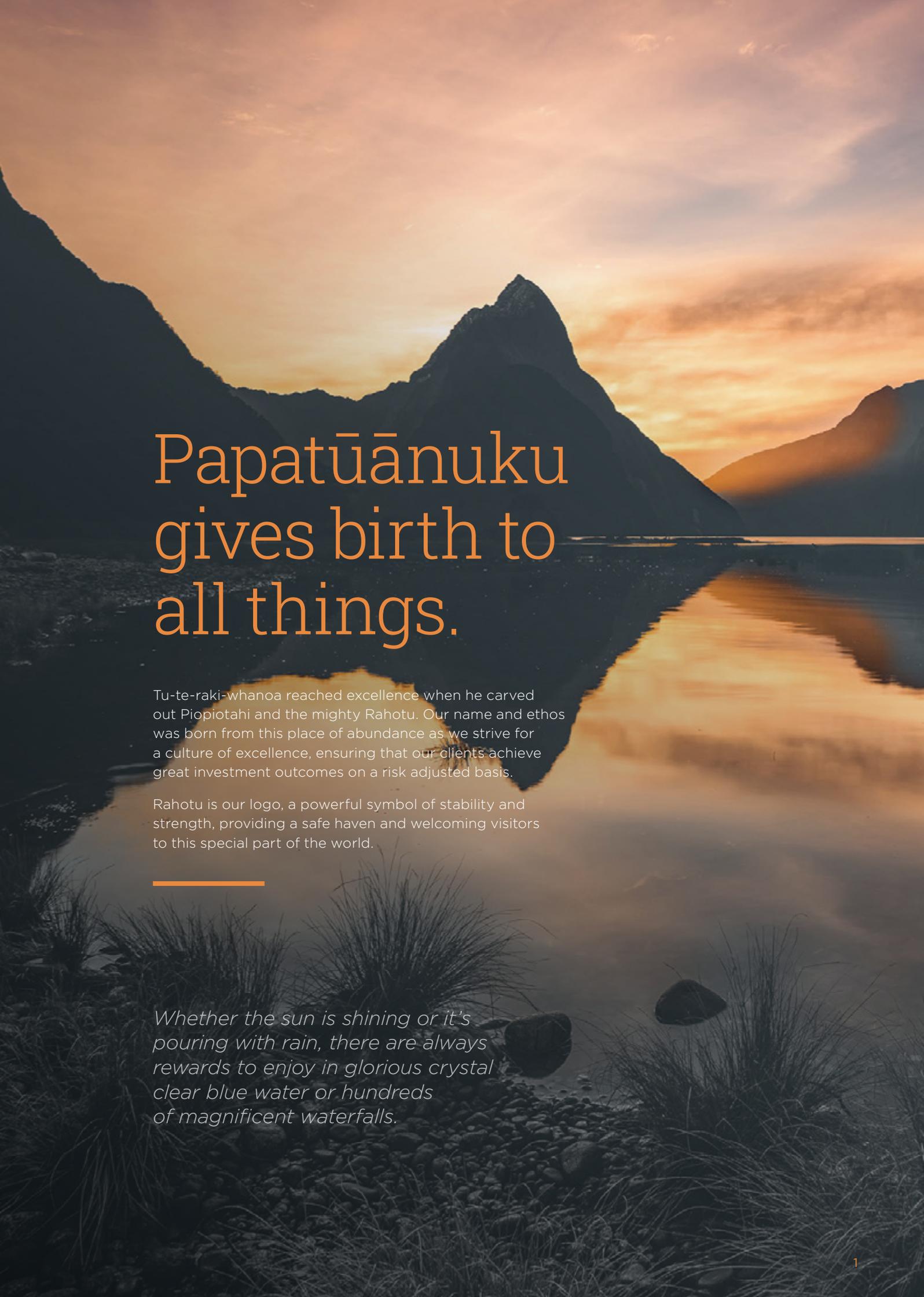
Milford Asset Management

Sustainable Investment Statement



MILFORD
INVESTED IN YOU

milfordasset.com



Papatūānuku gives birth to all things.

Tu-te-raki-whanoa reached excellence when he carved out Piopiotahi and the mighty Rahotu. Our name and ethos was born from this place of abundance as we strive for a culture of excellence, ensuring that our clients achieve great investment outcomes on a risk adjusted basis.

Rahotu is our logo, a powerful symbol of stability and strength, providing a safe haven and welcoming visitors to this special part of the world.

Whether the sun is shining or it's pouring with rain, there are always rewards to enjoy in glorious crystal clear blue water or hundreds of magnificent waterfalls.

Milford's Sustainable Foundations

Milford's founding principle was, and remains, to put clients first. Our clients know we will manage their money like it's our own, because Milford employees invest in Milford Funds, alongside our clients. Milford employees are owners in the business too.

While our commitment to alignment was motivated by our desire to do the right thing, and to earn and maintain the trust of our New Zealand investors, this ethos has and continues to be a fundamental driver of Milford's business success.

In addition to delivering the best investment outcomes and client service, Milford's core purpose includes making a positive contribution to our community. Philanthropic work has historically been through partner groups, such as "What's Up", New Zealand's most accessed telephone counselling service for children, and the Graeme Dingle Foundation, delivering school-based programmes that equip young people to build resilience and self-belief.

The Milford Foundation was established in 2020. Its mission is to strengthen Aotearoa communities through the lenses of youth, education and the environment. We believe a prosperous and healthy future depends on these overarching pillars.

Through our combination of investment expertise, generous donor community, commitment to efficiency and transparency, and strong partnerships, we can – and will – make a meaningful impact for Aotearoa's future generations.

Though the only explicit objective of Milford's philanthropy was to strengthen Aotearoa communities and build the prosperity of the New Zealand economy, the reputational benefits and employee pride this created, has long supported the recruitment and retention of a world-class investment team, leading in turn to strong, long-term wealth creation for our clients.

People are at the centre of everything we do: the employees we hand-pick for their talent, experience and track record; the clients who trust us with their savings; and the communities our philanthropy supports. We think about investing the same way.

Milford's Sustainable Investment Philosophy

At Milford, we consider ourselves owners of much more than a company's financial statements. We are investors in the management, the buildings, the employees, the culture and the brand. We know to make the right investment decision, we must consider the whole.

The Milford investment team have always looked for the best companies. It is clear to us the best companies are those committed to sustainable practices. Over time, we believe these businesses will deliver better environmental and social outcomes, stronger financial performance and ultimately, higher shareholder returns.

When analysing a company, taking into account all available information, both financial and non-financial, is simply what good investors do. Milford seeks to understand a company's exposure to climate change and social harm, as we would any other long-term business risk or opportunity.

Milford is defined by its active management philosophy and we are acutely aware of our capacity as shareholders to drive positive change. We embrace this strength by working with company management, boards and policy makers to help businesses transition to more sustainable models and strategies. We believe this is how we can best play our part in the transition to a more sustainable future.

We are vocal in promoting best practice corporate governance and actively exercise our proxy voting rights to clearly communicate our expectations regarding environmental, social and governance (ESG) factors.

While our preference is to engage to address areas of sustainability weakness or concern, if in individual cases we conclude poor sustainability practices have the potential to cause severe harm, compromise long-term returns or expose investors to unmitigated risk, the security is placed on a Milford's ESG Exclusion List.

We also exclude direct investments in companies involved in the manufacture of tobacco and recreational cannabis, processing of whale meat, and the manufacture of a broad range of weaponry.

Milford formalised its commitment to responsible investing principles in February 2018 by becoming a signatory to the United Nations Principles for Responsible Investment (UNPRI). Consistent with our fiduciary duty to act in the best interests of our clients, Milford is committed to adopting and implementing the [UN Principles for Responsible Investment](#).

We are also a member of the Responsible Investment Association Australasia (RIAA).

Milford's Sustainable Investment Process



Engagement

We believe we can make the biggest impact by engaging with the companies we invest in to drive them to improve the sustainability of their practice.

We define engagement as 'using our influence to encourage the companies we invest in to become more sustainable'.

We undertake a wide range of engagement activities across three main forms:

1. Proactive engagements. Regular dialogue with company management and directors to encourage best practice across sustainability actions, targets and disclosures.
2. Reactive engagements. Responding to unexpected controversies such as significant breaches of environmental or social requirements.
3. Active proxy voting. Communicating our expectations through our proxy voting and sharing our concerns with the board when required.

All these engagements are underpinned by the comprehensive research on sustainability best practice undertaken by the Sustainable Investment team. This is supplemented by the deep company and sector specific knowledge across the analysts and portfolio managers in the broader Investment team.

This expertise allows us to engage with companies to provide recommendations and support in the transition to a more sustainable business model. All members of the team are responsible for engaging with the companies we meet on issues big and small.

We provide a record of the number of engagements we have undertaken on our website and document the outcomes from a selection of these activities in our Engagement Activities and Outcomes document also on our [website](#).

Milford's Sustainable Investment Process

Implementation

Milford incorporates Environmental, Social and Governance considerations through an integrated Sustainable Investment process.

Milford incorporates Environmental, Social and Governance considerations through an integrated Sustainable Investment process. For this purpose, we have adopted the UNPRI definition of responsible investment: "A strategy and practice to incorporate ESG factors in investment decisions and active ownership". Our formal integrated investment process applies to listed equities, listed property trusts, corporate issued debt securities, quasi-government agency debt, private debt and private equity.

Milford's investment team conduct detailed research to understand the long-term sustainability of earnings and the risk profile of a security. Evaluating a business' exposure to climate change and social harm, and how these risks are being managed, is an important and essential part of this comprehensive analysis.

If a share price does not reflect the sustainability structural challenges or risks we identify, it will not qualify as an attractive investment. Conversely, our valuations are higher for companies with earnings supported by sustainability tailwinds or where risk is reduced through clear strategies and strong risk controls. It is clear to us these companies will deliver better outcomes over time, leading to stronger financial performance and ultimately, higher shareholder returns.

The investment process requires Milford's ESG checklist to be completed for every security held. The checklist provides an evaluation of a broad range of environmental, social, and governance considerations, including:

- The potential for environmental harm and the strategies in place to mitigate it including green house gas emissions and capital allocated to addressing climate change.
- Social factors, such as any positive or negative impact the entity has on society, its treatment of staff, staff safety disclosures and trends, ethical sourcing, human rights breaches and supply chain auditing.
- Governance considerations including executive remuneration structure and quantum, board composition and the quality of the company's public sustainability commitments and disclosures.
- General performance with respect to ESG relative to peers, including a recognition of any ESG controversies, including product recalls, staff fatalities, environmental concerns, worker exploitation or regulatory breaches.

We use the detailed sustainability research undertaken by the Sustainable Investment team to supplement the broader team's company specific knowledge and sector expertise when compiling the ESG analysis. Secondary inputs include third party ESG research and proxy voting advice, public company information and direct company engagements.

Milford procure ESG company research, ratings and data such as carbon emissions and physical risks from S&P Global. We also procure ESG company research and proxy voting advice from ISS (Institutional Shareholder Services).

Checklist ratings are incorporated into formal internal research reports, which are disseminated to all members of the investment team and discussed at research team investment forums. This process forms the core of the Milford investment process. We typically complete ESG checklists annually or in the event of material new information.

In the event of an ESG controversy, we assess the severity of the event using the Milford controversy matrix. We will engage where appropriate with all companies we hold to advocate the resolution and remediation of the issue. If a controversy is deemed 'severe', it will be placed on the Milford ESG Exclusion List (if not held) or Restricted Trading List (if held). The subject companies are removed when the controversy has been suitably addressed and remediated.

Formal oversight and accountability for Milford's sustainable investment approach and implementation is the responsibility of the Chief Investment Officer and the Head of Sustainable Investments. The Sustainable Investment team conduct internal reporting and verification processes to ensure Milford is delivering on our sustainable investment commitments. These include routine checks to ensure compliance with the Milford's ESG Exclusion List, completion of ESG checklists, appropriate documentation of ESG investment views, appropriate documentation of ESG engagements and reviews of proxy voting records. These audits are reviewed by the Head of Sustainable Investment and signed off by the Chief Investment Officer. Proxy voting records and compliance with the Milford ESG Exclusion List are also monitored by the Investment Management Committee.

Through our website, Milford publicly reports the following with respect to sustainable investment: the specific business activities excluded from our investable universe; the full, current list of securities on the Milford ESG Exclusion List; the number of engagements undertaken, a summary of Milford's engagement activities and outcomes; as well as proxy voting statistics. In addition, all fund holdings are available to the public on the [New Zealand Disclose Register](#).



Milford's Sustainable Investment Process

Exclusions

Milford will not, and cannot, invest in any company or security on the Milford ESG Exclusion List.

Milford's integrated ESG investment process results in three types of exclusions.

1. Milford's ESG Exclusion List

Companies that score a "Negative" ESG checklist rating or are the subject of a severe controversy, where Milford has no holding, are placed onto the Milford ESG Exclusion List. As the inherent quality bias of Milford's security selection process favours strong ESG businesses, and checklists are only completed for held names, the exclusion list is not expected to be extensive. Companies that are expected to fail the ESG checklist are unlikely to progress beyond the idea generation stage of the investment process.

2. Restricted Trading List

From time to time, Milford will have exposure to a company where the ESG checklist rating is downgraded to negative. This is to be expected given the dynamic nature of investment markets and Milford's active management approach, which includes ongoing re-assessment of our investment thesis in the context of new information. Held names that are downgraded to negative on the ESG checklist are placed on Milford's internal Restricted Trading List. The Restricted Trading List acts as a "hold", while the negative implications for earnings, valuation and share price are assessed, relative to the cost to exit. The Portfolio Manager makes a final decision in the best interest of clients to either exit or continue holding the security. Buying securities on the Restricted Trading List is prohibited.

3. Industry Exclusions

In addition, Milford will not invest directly in companies involved in the activities listed below. Milford's ESG Exclusion List is primarily made up of companies involved in activities that are either illegal in New Zealand, or where the New Zealand Government has signed a Treaty or an international convention.

- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998
- Production, design, testing, assembly, or refurbishment of nuclear explosive devices
- Production or development of cluster munitions
- Processing of whale meat
- Manufacture of tobacco and alternative tobacco products
- Manufacture of recreational cannabis products
- Companies involved in the manufacture of civilian automatic and semi-automatic firearms, magazines or parts

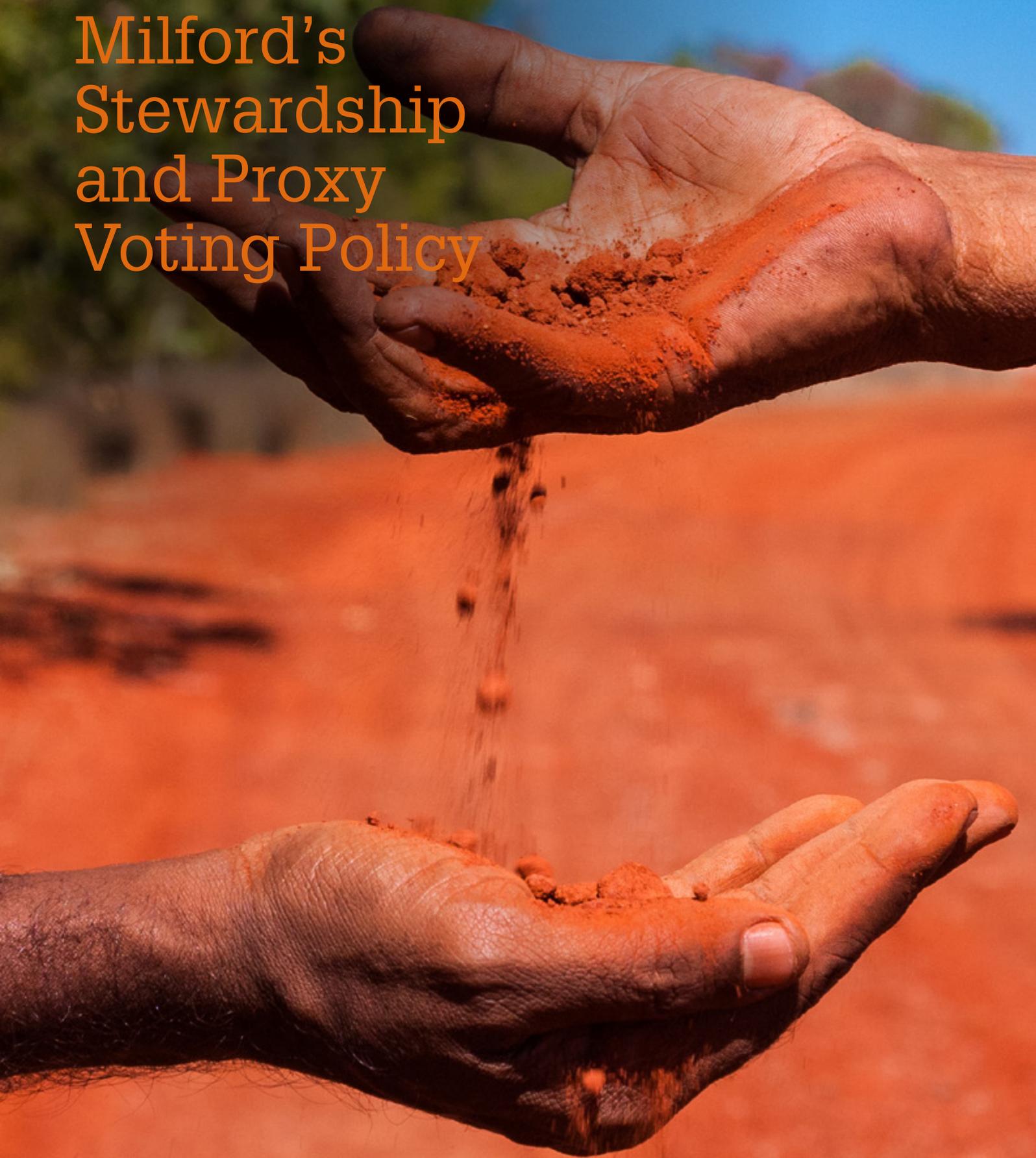
The current, full list of securities excluded under both Milford's ESG Exclusion List and industry criteria is available on our [website](#).

Milford can use indirect investments for market exposure and hedging purposes. We monitor the extent to which these indirect investments have exposure to companies on the Milford ESG Exclusion List with a view to ensuring the exposure is no more than 1% in aggregate across all Milford funds.

This limit is monitored by on a monthly basis and is reviewed by the Head of Sustainable Investment, Chief Investment Officer and Performance and Risk team.

Outside of the Milford ESG Exclusion List, the Restricted Trading List and stated industry exclusions, Portfolio Managers retain full responsibility for the final selection of securities. Milford does not envisage imposing a blanket restriction on investing in specific industries unless New Zealand's Parliament passes laws or makes significant public policy to ban those activities in New Zealand.

Milford's Stewardship and Proxy Voting Policy



Stewardship Policy

The objective of Milford's stewardship activity aligns with our sustainable investment objective – to deliver strong risk-adjusted returns for our clients over the long-term and play our part in the transition to a more sustainable future.

It is clear to us that the best companies are those committed to sustainable practices. Over time, we believe these businesses will deliver better environmental and social outcomes, stronger financial performance and ultimately, higher shareholder returns.

The in-depth sustainability research undertaken by the Sustainable Investment team plus the risks, opportunities and threats identified by the ESG checklist provide the starting point for engagement with management and boards. Proxy voting analysis can also be an important driver of engagement priorities, as well as third-party ESG research.

Engagement also occurs in response to new information, in particular, ESG controversies and regulatory change.

We set the engagement schedule based on the size of our holdings in the entity and the materiality of ESG factors.

The tools Milford's investment team employ to implement the firm's stewardship activities include direct engagement with company management and the board of directors, voting at shareholder meetings and engagement with policy makers and regulators. The private equity team may also take direct roles on

investee boards and board committees.

Click here to view a summary of [Milford's Engagement Activities and Outcomes](#).

To ensure stewardship activities feed into investment decision making, we document all ESG engagement discussions and outcomes. This record is disseminated to all members of the investment team, including Portfolio Managers. The topic of ESG engagements are also recorded and monitored. The audit process for ESG engagement records is conducted by the Sustainable Investment team and signed-off by the Chief Investment Officer.

Milford are open to, and have participated in, collaborative forms of engagement, such as open letters. In addition, one of our Sustainable Investment Analyst is a member of the Human Rights Working Group of the Responsible Investment Association of Australasia (RIAA).

On occasions when initial stewardship approaches are deemed unsuccessful, Milford will consider collaborative engagement with other investors, publicly engaging through open letters, voting against re-election of one or more board directors, voting against the chair of the board of directors or voting against the company's remuneration report. If a company will not engage with us, we will divest the security or implement an exit strategy.

Proxy Voting Policy

Milford actively exercise our proxy voting rights to clearly communicate our expectations regarding environmental, social and governance factors.

Milford actively exercise our proxy voting rights to clearly communicate our expectations regarding ESG factors.

Milford retains full discretion over all voting decisions. ISS Sustainability Policy recommendations form the starting point for Milford's own proxy voting analysis and engagement. The [ISS Sustainability Policy guidelines](#) were developed by ISS "to recognise that sustainability-minded investors are concerned, not only with economic returns to shareholders and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society".

Proxy voting engagement with boards and management is undertaken to resolve questions, to gain an understanding of the company's position, and to communicate Milford's own views and expectations regarding ESG issues.

In the absence of well founded, strongly held views to the contrary, Milford's policy is to vote in line with ISS Sustainability Policy recommendations.

In cases where Milford votes against management recommendations or abstains, Analysts are encouraged to communicate the rationale for the vote to the company. The rationale for votes against management recommendations or abstentions may also be publicly disclosed through Milford's report on its Engagement, Activity and Outcomes, available on our [website](#).

Routine audits of proxy voting records are conducted by the Sustainable Investment team. Audit outcomes are monitored by the Investment Management Committee and signed off by the Chief Investment Officer. Milford's proxy voting statistics can be viewed [here](#). Note that holdings voted in person at AGMs are currently disclosed as "unvoted". Please [contact us](#) if you require further information.

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