



TAHITO

TAHITO Te Tai o Rehua Fund

TAHITO – TE KAUWAE RARO

TAHITO Environmental, Social and Governance Sustainability, Ethics and Impact Policy (ESG-SEI Policy) Version 7

Te Kaupapahere Talao, Pāpori, Mana Whakahaere – Toitū, Matatika, Pānga

31 October 2022

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1. Document Control Table

The TAHITO Investment Committee own this document and are responsible for its updating and revision as required to reflect regulatory requirements and/or our business.

Reviews of this document will be dated, and amendments recorded in the document control table in a revised document. Any material changes will require the approval of the TAHITO Investment Committee and the TAHITO Board.

Version	Description of Key Change(s)	Date Approved
1.0	Initial policy drafted	14 Nov 2019
2.0	First review of policy	20 May 2020
3.0	Annual Review aligned with Fund name change	30 April 2021
4.0	Addition of sections to describe the Fund, the process and assurance of those processes.	17 June 2021
5.0	Addition of new exclusions	1 December 2021
6.0	Revised Assurance wording and annual review	1 July 2022
7.0	Revised fossil fuel exposure definitions	31 October 2022

2. Introduction

TAHITO is indigenous ethical investing. We are applying ancestral Māori knowledge to benefit future generations. TAHITO is a unique way of measuring companies using indigenous knowledge combined with conventional financial analysis.

As awareness in climate change and sustainability intensifies the world is increasingly looking toward indigenous cultures, values and sustainability practices for solutions. TAHITO indigenous ethical investing is for investors who:

1. Want their investment funds aligned to a high level of values and principles;
2. Want their investment to be sustainably managed across a diversified portfolio;
3. Would like to see their capital applied ethically in investments with positive social and environmental purposes.

Arguably it is the loss of connection that underpins the major issues we face across the world, from climate change to loneliness. We believe that by re-connecting you can drive positive change in socio-economics, finance and all societal behaviours.

This policy is prepared by the TAHITO team, reviewed and monitored by the TAHITO Investment Committee and approved by the TAHITO Board. This policy provides an outline of how we integrate indigenous values with Sustainable, Ethical and ESG factors.

3. Investment Philosophy

Nga Ruahine behaviours

Manahua te tapu o Apakura o te aroha	empower compassion
Hineahuone o te kura	nature
Hinetitama o te tapu	sacredness
Hinenuitepō o te wairua e	eternity
Manahua te tapu o Mahuika o te mauhī	empower passion
Murirangawhenua o te kauwae	purpose
Hineteiwaiwa o te kotahi	unity
Hineraukatauri o te rerehua e	blossoming
Manahua te tapu o Tahito e!	empower ancestral spirit

Māori ethics put people and the environment first because both are fundamental to living and thriving. This thinking is implicit in the ancestral Māori worldview which centres on connection and the interdependence of all things. This is the foundation principle.

‘Collective Self Intelligence; Everything is interrelated, nothing exists of itself’

The TAHITO investment philosophy focuses on providing high quality ethical investment services to investors. It is based on the following principles;

- We are ethical investors. We actively seek companies that are well run and meet our stringent Māori ethical screening tests.

- We are values-based investors. We invest in high quality investments that display connectivity and relational behaviours and qualities, have, or are committed to, a low environmental impact and have a high-level of social and corporate responsibility.
- We integrate MSCI Environmental Social and Governance (ESG) research on a values basis in our ethical screening.
- All securities undergo fundamental valuation and financial quality analysis.
- We take a long-term view.
- We are active investors.
- We have a disciplined approach to risk management.

The investment process which underpins TAHITO is effectively measuring 'Aroha Connection'. We are measuring the transition of companies from the 'substantive', internally focused, very self-absorbed behaviours, to the ideal 'Relational', externally connected, collective behaviours. This requires ethically strong and committed governance with a clear drive toward sustainability to enhance financial returns.

4. TAHITO Values, Ethics and Behaviours

The TAHITO values underpin our investment process. These values are required to transform the individual self to the collective self. These values translate to ethics and behaviours that influence our TAHITO measures.

TAHITO Values and Behaviours (Summary)

- Whanaungatanga –tō ao (*Relational – collective reality*)
Understanding all relationships in the interconnected world; internal and external, commercial, social, environmental and cultural.
- Whakapapa- tō mana (*Interdependent – collective Identity*) *Understanding that the business is interdependent and relies on its total environment to succeed. Serious about ethics. Care for people and the environment and they will care for you.*
- Whakarongo – tō hiwa (*Balanced – collective awareness*)
The company strives to reach the best balance across all its relationships. Circular economy principles; kia mimiti, kia tukuruā, kia whakahau (reduce, reuse, regenerate)
- Whakatau – tō kaha (*Consensual – collective power*)
Understand the collective strength across the business. Acts positively and with integrity.
- Honotahi – tō wairua (*Complementary – collective self*)
Competitive forces are dealt with in a complementary manner. Core principles and values extend beyond physical and material gain.
- Mahitahi – tō tapu (*Co-operational – collective behaviour*)
Strive to co-operate with all forces and agents in your ecosystem. Strong social, environmental and cultural ethics are imbued in the organisation, measured and acted upon.

- Utu - tō mauri (*Reciprocal – collective dominance*)
Care for the environment and give back to the local communities. Identify the key drivers to success and repay the source. i.e. stakeholders, people, clients, environment, communities.
- Humarie – tō mārama (*Harmony – collective understanding*)
Seek harmony in its business across all systems and relationships. Be clear and transparent, display honesty and integrity, communicate clearly. Be conciliatory and collaborative in negotiations.
- Kawa - tō ora (*Cyclical – collective success*)
Success beyond financial. Celebrate and encourage successful behaviours. Long term sustainability.

The aroha connection implies balance and harmony. Its ethics strive for balance and consensuality. Its behaviour is complementary and co-operational. Its target is reciprocity and harmony.

Application of TAHITO Values and Ethics

In applying the TAHITO investment philosophy, we are endeavouring to select securities that best display the collective and relational values and behaviours derived from indigenous Māori culture and ancestry. We aim to invest in good companies doing good things. We look for companies that:

Display connectivity and value relationships	Whanaungatanga - tō ao (<i>Relational – collective reality</i>)
Are serious about their ethics	Whakapapa - tō mana (<i>Interdependent – collective Identity</i>)
Hold people and environment in high priority	Whakarongo - tō hiwa (<i>Balanced – collective awareness</i>)
Are open and transparent	Whakatau - tō kaha (<i>Consensual – collective power</i>)
Share the wealth, i.e. predominantly widely held	Honotahi - tō wairua (<i>Complementary – collective self</i>)
Care for and give back to their local communities	Utu - tō mauri (<i>Reciprocal – collective dominance</i>)
Have strong competent governors with a high level of awareness	Mahitahi - tō tapu (<i>Co-operational – collective behaviour</i>)
Display a willingness to change, adapt and engage new technologies	Humarie - tō mārama (<i>Harmony – collective understanding</i>)
Have long term sustainable growth potential	Kawa - tō ora (<i>Cyclical – collective success</i>)

5. TAHITO Funds

Our first Fund is the TAHITO Te Tai o Rehua Fund. The Fund is an indigenous ethical and sustainable fund that uses positive ESG integrated screens in selecting investments. Māori indigenous values and principles serve as the foundation to the Fund’s philosophy and investment selection process.

The Fund provides actively managed exposure to a portfolio of primarily New Zealand and Australian companies. The companies have been selected in accordance with the TAHITO investment philosophy. The Fund aims to generate a better return than the benchmark over the medium to long term.

6. Te Kōwhiringa Tapu – Te Hātepe Haumi o TAHITO

Te Kōwhiringa Tapu translates to ‘The Careful Selection’, this is the name given to the TAHITO investment selection process. Te Kōwhiringa Tapu is the complete process whereby securities are assessed against the selected measures in our positive screens. Each security is given a T (TAHITO) Score and a V (Valuation and financial quality) Score prior to a deeper financial analysis and peer review process.

Once a short list of securities is identified the portfolio construction phase is the final selection stage where weightings are also attributed to each security taking into account sector exposure and potential tracking error. Te Kōwhiringa Taupo is outlined in the process diagram attached to this policy.

- The ESG integrated measures are updated monthly.
- Periodic company reviews are carried out often prompted by specific new and events or sector topics and events.
- A comprehensive review is carried out annually

Review Date: Te Ra i Arotakengia:	Reviewed by: Na wai i Arotake	Notes: Ngā Tuhituhi:
Sep 2019	Temuera	Initial portfolio established
Aug 2021	Temuera	Annual review

7. The T Score – TAHITO Ethical and Sustainability Measures

In applying our indigenous lens, we are looking for behaviour qualities in companies that align with our Values and Ethics. To measure these behaviours, we have selected over 50 quantitative and qualitative measures. These measures are derived from our indigenous value set. The quantitative measures represent the integration of Environmental, Social and Governance (ESG) factors on a values basis.

We measure sustainability with our T Score (TAHITO Score). There are three stages to the T Score. Levels 1 and 2 integrate factor level ESG data selected within MSCI ESG Manager.

T1 SCREENS (Exclusions and Positive T Score)

- **Te utu a Tāwhirimātea** - Climate change, GHG
- **Te Taiao** - Environment, Water, Waste, bio-diversity
- **Te Ngatāhi** – Equity
- **Te Pūtakitini** – Diversity
- **Ngā Matataki**- Ethics

T2 SCREENS (T Score)

Te Mana Whakahaere - Governance and **Te Pāpori** – Social

- Business ethics
- Human capital
- Product safety and liability
- Social opportunities
- Privacy and data
- Labour management

We call level 3 our mauri screens. These are from direct research and assist to provide depth and validity to level 1 and 2 screens.

T3 MAURI SCREENS (T Score)

- Business involvement
- Women inclusion
- Pay, ownership & control
- Values, principles, vision, mission, purpose
- Community, external connections
- Reciprocity, grants, distributions
- Sustainability targets, practice, measures
- Code of conduct/ethics, diversity & inclusion
- Partnerships & collaborations
- Maori & Aboriginal relations (RAP)
- Chair & CEO reports and messaging

We look for leadership with a high level of compassion and selflessness.

Our TAHITO Te Tai o Rehua Fund is a contribution toward a new global story of equity, sustainability and diversity. In order to achieve impactful social and economic purpose you first need leadership with the right belief, compassion and behaviours. Leaders who:

- Believe that to create equity, environmental sustainability and regeneration we need to avoid further concentration of wealth and wealth polarization and strive for;
- A quantum shift in economics – prioritizing community and environmental wellbeing over profit; and
- Are committed to ‘a new story’ of how we want the world to be.

The ideal is aspirational, we can only start a journey toward that destination, as did our tipuna when navigating by the stars.

8. Environmental, Social and Governance (ESG) Definition

What is ESG?

ESG processes and procedures focus on non-financial performance indicators that address a company's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations. ESG criteria are a set of standards and measures of a company's operations that conscientious investors use to screen potential investments.

- Environmental criteria look at how a company performs as a steward of nature.
- Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.
- Governance deals with a company's ethics, values, leadership, executive pay, audits, internal controls and shareholder rights.

Essentially ESG measures indicate the level of risk exposure companies have relative to the key ESG criteria.

How do we understand ESG?

To understand how ESG information embedded within companies improves investor returns, ethics and sustainability expectations, we acknowledge the three "transmission channels" within a DCF (discounted cash flow) model published by the MSCI ESG research team. These channels are called the cash-flow channel, the idiosyncratic risk channel and the valuation channel. These three transmission channels are based on the following rationales:

- Cash-flow channel: High ESG-rated companies are more competitive and can generate abnormal returns, leading to higher profitability and dividend payments.
- Idiosyncratic risk channel: High ESG-rated companies are better at managing company-specific business and operational risks and therefore have a lower probability of suffering incidents that can impact their share price. Consequently, their stock prices display lower idiosyncratic tail risks.
- Valuation channel: High ESG-rated companies tend to have lower exposure to systematic risk factors. Therefore, their expected cost of capital is lower, leading to higher valuations in a DCF model framework.

9. ESG Core Principles

ESG investing is a very broad field with many different investment approaches addressing various investment objectives. At the top level, we can break down ESG investing into three main areas that each have their own investment objective:

1. Values-based investing: where the investor seeks to align their portfolio with their norms and beliefs.
2. ESG integration: where the key objective is to improve the risk-return characteristics of a portfolio.
3. Impact investing: where investors want to use their capital to trigger change for social or environmental purposes, e.g., to accelerate the decarbonization of the economy.

Values-based investing is the primary investment objective for TAHITO ESG integration.

10. TAHITO and ESG Integration (Positive Screening)

ESG measures primarily indicate the level of risk exposure relative to key ESG criteria, therefore ESG measures alone do not indicate that a company has attained sustainable, ethical and or impactful standards. This is achieved through our TAHITO ESG integration process.

We use ethical screens in selecting investments, for which Māori indigenous values, principles and behaviours serve as the foundation.

The Tahito process uses mostly positive screens and its measures are both quantitative and qualitative. In developing the portfolio, the Tahito process integrates ESG data for the quantitative measures.

The quantitative TAHITO scores (T Score) are obtained using research from the MSCI ESG system. The qualitative T Score (or Mauri screens) are obtained by direct research. Securities are ranked by their total T Score.

The attached 'Te Hātepe Haumi o TAHITO' (the TAHITO Investment Process diagram, refer page 14) outlines the ESG integrated measurements in phases T1 and T2. The T3 phase outlines the qualitative measures.

Note: ESG scores make up less than half of the total T Score.

11. TAHITO and Sustainability

Sustainability measurement is the quantitative basis for the informed management of sustainability. The metrics used for the measurement of sustainability (involving the sustainability of environmental, social and economic domains) are still evolving: they include indicators, benchmarks, audits, indexes and accounting, as well as assessment, appraisal and other reporting systems.

The UN Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, with a target achievement goal of 2030.

[\(https://www.un.org/sustainabledevelopment/sustainable-development-goals/\)](https://www.un.org/sustainabledevelopment/sustainable-development-goals/)

Corporate sustainability reporting are some of the best known and most widely used sustainability measures. They include;

- Triple Bottom Line accounting
- Global Green Economy Index (GGEI)
- Environmental Sustainability Index
- Environmental Performance Index
- International Integrated Reporting Council (IIRC)
- Global Reporting Initiatives (GRI)
- Fit for Future
- B Corp
- Circular Economy
- Donut Economics

TAHITO favours a holistic socio-ecological, balanced environmental system. This is driven by our values and consistent with the holistic Māori world view. Therefore, we would suggest that the Inclusive Development Index (IDI) as defined and measured by the World Economic Forum (WEF) is a better measure of a country's sustainability over GDP.

The TAHITO system favours companies that;

- Adopt credible sustainability reporting systems
- Understand and measure their 'externalities'
- Are transparent with and accountable to their non-financial measures
- Set clear and achievable sustainability targets
- Demonstrate how they intend to reduce or better these measures
- Have incorporated or are moving toward circular economy principles

Corporate Standards at a Glance

Name	Coverage	Purpose	Use
B Impact Assessment (BIA)	Comprehensive	Evaluation; Management and Improvement	Certification/Rating; Management; Reporting
Global Reporting Initiative (GRI)	Stakeholder-Based Material Metrics	Disclosure / Reporting	Sustainability Reporting
Sustainability Accounting Standards Board (SASB)	Industry Specific Financially Material Metrics	Disclosure / Reporting	Reporting in Financial Statements
Carbon Disclosure Project (CDP)	Environment	Disclosure / Reporting	CDP Database Reporting
Dow Jones Sustainability Index (DJSI)	Comprehensive	Evaluation	Rating
Future Fit Business Benchmark	Comprehensive	Evaluation	Rating

12. TAHITO and Impact Investing

What is Impact Investing?

Impact investing is considered alongside the higher convictions of sustainable and ethical investing as opposed to the more easily attainable responsible investing. The International Finance Corporation (IFC) defines impact investing as 'investments made with specific intent to make a measurable contribution to the achievement of social and environmental goals, as well as achieving a financial return'.

A key feature of this definition is that impact investments are defined by the approach of the investor. In principle, investments may be made into the full range of public and private assets, as long as by doing so the investor contributes to achieving impact. Specifically, the

definition encompasses three observable attributes of impact investors that can distinguish them from other investors.

- Intent; The investor articulates an intent to achieve a social or environmental goal by identifying outcomes that will be pursued through the investment and specifies who will benefit from these outcomes.
- Contribution; The investor follows a credible narrative, or thesis, which describes how the investment contributes to achievement of the intended goal—that is, how the actions of the impact investor will help achieve the goal. In this case, contribution is considered at the level of the impact investor and can take financial or non-financial forms.
- Measurement; The investor has a system of measurement in place linking intent and contribution to the improvement in social and environmental outcomes delivered by the enterprise into which the investment has been made. The measurement system enables the investor to assess the level of expected impact in order to continuously monitor progress and take corrective actions when appropriate, and to evaluate the achievement of impact.

TAHITO Impact Investment Intent, Contribution and Measurement

In our philosophy we state that Māori ethics put people and the environment first and that this thinking is derived from our ancestral world view where everything is interconnected, and nothing exists of itself. Its ethics strive for balance and consensuality, its behaviour is complementary and co-operational, its target is reciprocity and harmony.

The TAHITO process identifies companies with the following impact intentions;

- Intend to lower their GHG emission and set reduction targets and/or zero carbon targets
- Aim to lower their energy and water use, waste levels and toxicity waste
- Plan to reduce the use of energy from fossil fuels and transition to clean energy sources
- Are aware of their biodiversity and aim to reduce their impact and revitalise their ecosystem
- Strive for equality and equity in the workplace, governance and management
- Aim to have a positive impact on the communities they are in

IFC: Operating principles for Impact Management

1. Define strategic impact objective(s) consistent with the investment strategy
2. Manage strategic impact on a portfolio basis
3. Establish the Manager's contribution to the achievement of impact
4. Assess the expected impact of each investment, based on a systematic approach
5. Assess, address, monitor, and manage potential negative impacts of each investment
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately
7. Conduct exits considering the effect on sustained impact

8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned
9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

13. TAHITO Business Activity Exclusions (Negative Screens)

Concurrent with our TAHITO indigenous ethical screens we also screen for undesirable business activities. They are;

- Alcohol producers
- Adult Entertainment/Pornography
- Civilian Firearms
- Global Sanctions
- Defence and Weapons
- Fossil Fuels
- Gambling
- Genetic Engineering (GE)
- Human Rights & Environmental Violations
- Nuclear Power
- Production or Purchase of Palm Oil
- Tobacco and Vaping
- No Female Board Representation

Most of these undesirable business activities are excluded during our TAHITO screening as they will generally have a low overall T score. For further details on these exclusions, please refer to the section entitled 'TAHITO Negative Exclusions – Explained' on page 15.

14. TAHITO and PRI (Principles of Responsible Investment)

TAHITO is not currently a signatory to the United Nations backed Principles for Responsible Investing (PRI), but we do adhere to these principles. We support and apply these six principles as set out by PRI:

- Incorporate ESG issues into our investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into our ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance our effectiveness in implementing the Principles
- Report on our activities and progress towards implementing the Principles.

TAHITO has incorporated PRI into our funds management systems and process and our business processes and practices.

15. Engagement

TAHITO is an active owner and an active manager. When we consider there to be significant issues or conflicts with respect to a company's strategic direction, values, remuneration, or

other material matters, TAHITO will engage with senior management, and directors, and where possible other investors, to find an acceptable outcome.

If issues are significant or are not resolved in a reasonable timeframe TAHITO will divest of its interest. TAHITO may divest an investment quickly without engagement if the issue is extreme and has been verified directly by reliable authorities or sources.

Company annual and extraordinary meetings along with investor reporting forums provide an opportunity for engagement and allow us to ask ESG and TAHITO values and ethics-related questions.

16. Proxy Voting

TAHITO will vote on behalf of fund investors. We will vote all material resolutions at both annual meetings and extraordinary meetings. The voting will be directed by our values and ethics. TAHITO applies an internal validation process for proxy voting via our internal Compliance Manager and senior analysts. All voting is recorded and reported to the TAHITO Investment Committee.

A record of all voting is available to clients on request. We are also open to consult with clients, prior to voting on any significant high profile and contentious issues.

17. Ethical, Sustainable, Impact Investment Development and Promotion

TAHITO team members regularly attend seminars, conferences and workshops relating to sustainable, ethical, impact and responsible investing. Occasionally a TAHITO member may have a presenter or panellist role at these events.

TAHITO promotes ethical, sustainable and impact investing within the ISG group of companies among key stakeholders and where practicable among the community.

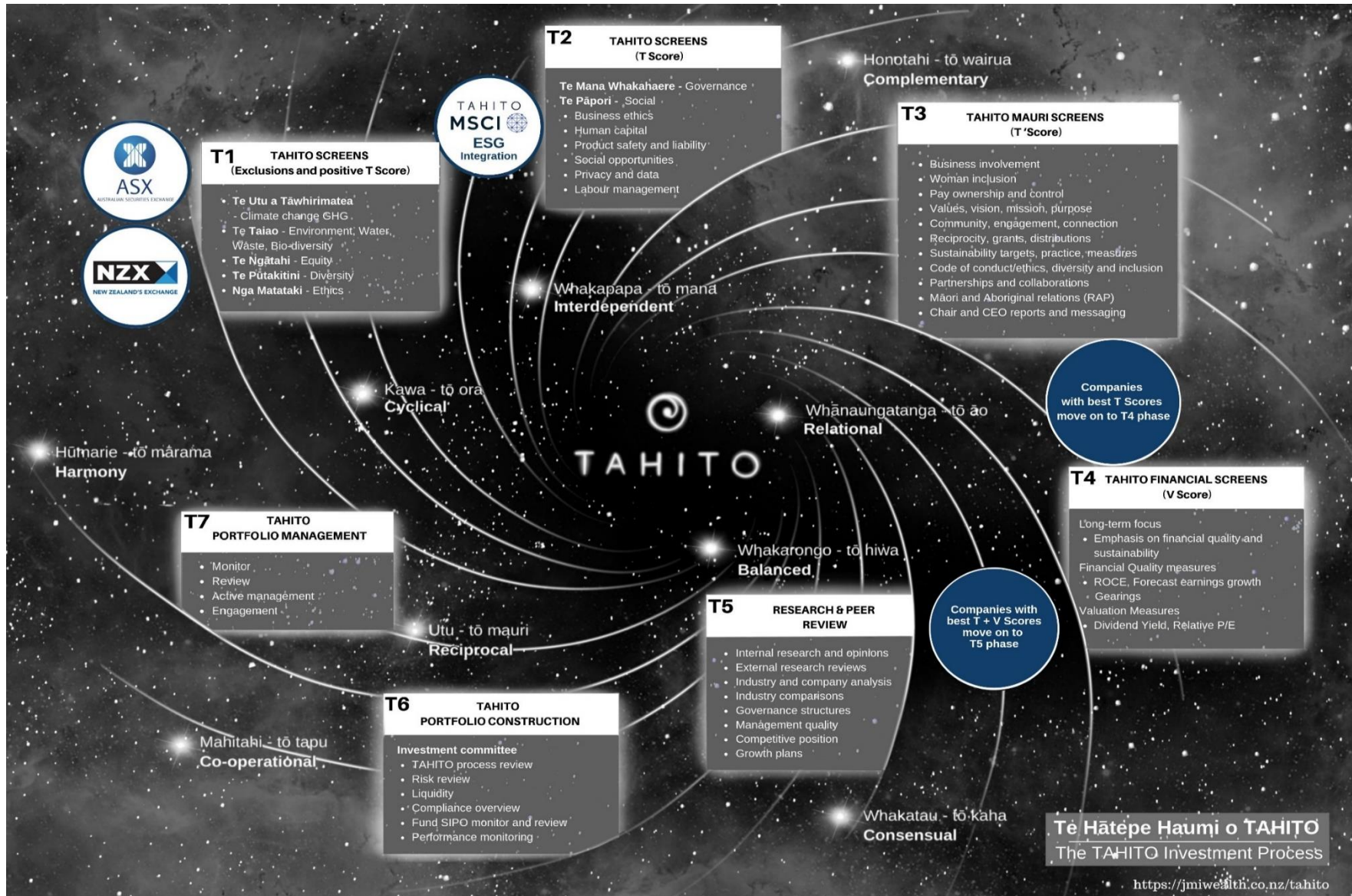
18. Reporting

TAHITO communicates our ethical, sustainable, impact Investment activities and proxy voting to client investors quarterly via our fund commentary. Information on these activities is also provided to client investors and other stakeholders on request.

19. Assurance

The Policy is reviewed at least annually. Monitoring adherence to the Policy includes:

- Monthly Investment Committee review of the portfolio against investment philosophy.
- Quarterly Board oversight of the portfolio against investment philosophy.
- Biennial independent validation that the quantitative ESG integrated aspects of the TAHITO Te Kōwhiringa Tapu (positive scoring model) are designed and operating effectively to select securities that align with TAHITO values, ethics and behaviours.
- Independent External reporting on alignment with TAHITO investment philosophy includes;
 - Mindful Money/Fund Badges,
 - Morningstar Sustainability Report,
 - MSCI ESG Quality Report,
 - MSCI Carbon Portfolio Analysis Report.



TAHITO Negative Exclusions - Explained

Māori Ethics

Māori ethics put people and the environment first because both are fundamental to living and thriving. This thinking falls out of the ancestral Māori worldview which centres on connection and the interdependence of all things.

- Its ethics strive for balance and consensuality.
- Its behaviour is complementary and co-operational.
- Its target is reciprocity and harmony.

We look for leadership with a high level of compassion and selflessness.

Our TAHITO Te Tai o Rehua Fund is a contribution toward a new global story of equity, sustainability and diversity. In order to achieve impactful social and economic purpose you first need leadership with the right belief, compassion and behaviours. Leaders who:

Believe that to create equity, environmental sustainability and regeneration we need to avoid further concentration of wealth and wealth polarization and strive for;

A quantum shift in economics - prioritizing community and environmental wellbeing over profit; and Are committed to 'a new story' of how we want the world to be.

The ideal is aspirational, we can only start a journey toward that destination, as did our tipuna when navigating by the stars.

He aha ngā me motuhake o TAHITO? – What is unique about TAHITO?

The Māori World view is relational and interconnected, its foundation is captured in Whakapapa or genealogy. Our measures are informed by indigenous Māori values and a Māori world view which state that the environment has priority over people, people are more important than profit and the collective has prominence over the individual.

We select companies purely on non-financial measures first before we begin financial analysis and then portfolio construction.

We primarily use a positive screen process integrated with ESG data on a values basis. Te Kōwhiringa Tapu is the propriety process for selecting securities.

What is a negative exclusion?

An exclusion is the act of barring a company's securities from being purchased for a portfolio due to business activities that are deemed unethical, harmful to the environment or society, or in breach of laws or regulations.

ESG criteria is often used to determine whether a company complies with the desired level of standards. If not, it can be removed from consideration in the investment process, denying the company access to capital.

What are the TAHITO negative exclusion screens and why?

We screen for and exclude companies involved in and/or receiving revenues in these fields:

- Alcohol producers
Excessive alcohol consumption, abuse and alcohol addictions lead to significant physical and mental health issues, domestic abuse, and even suicide. Māori and indigenous peoples generally have disproportionate alcohol abuse and addiction levels.
- Adult Entertainment/Pornography
Encourages discrimination against women, and is morally wrong because it exemplifies and recommends wrong behaviour toward women - specifically, the viewing of women as mere sex objects, rather than as active, full-fledged persons. Viewing of pornography by men has been linked to sexual violence against women.
- Civilian Firearms
Ethical exclusion, no investment in companies that make firearms. There is clear research which shows that countries with robust firearms regulation, monitoring and licencing have less firearm related incidences in society.
- Global Sanctions
Sanctions are an important tool of governance in the global financial industry. Most countries have used sanctions or had sanctions placed against either them or their citizens. Sanctions are used to fight economically, rather than physically, and as such, sanctions are a common tool in foreign relations, peacekeeping and conflict resolution. The UN Security Council composes the sanctions – each of which is backed by a UN Security Council Resolution. The UN has no direct legislative power within member-states, so it falls to domestic legislative authorities to enforce UN sanctions.
- Defence and Weapons
Ethical exclusion. The social, environmental and financial impact of war and misuse of firearms and all weapons are well documented.
- Fossil Fuels
Climate change environmental, ethical and sustainability issue. All Hydrocarbons (oil, gas and coal) substances contribute to the greenhouse effect, and the depletion of the ozone layer. They also reduce the photosynthetic ability of plants, increase cancer rates in humans and animals, and increase the risk of respiratory illness. The most well-known and well-documented hydrocarbon hazard is oil spills. Further, most plastic in use today comes from hydrocarbons derived from fossil fuels.

The companies in the Te Tai o Rehua Fund hold no fossil fuel reserves or any ties to fossil fuels. Supported by data from the MSCI ESG Carbon Portfolio Analytics report and the MSCI fossil fuel reserves and ties to fossil fuels screens. Also supported by the Morningstar Carbon Report. (Carbon reports are updated quarterly). The following are MSCI ESG factor screen definitions.

Fossil Fuel Reserves: This field identifies companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves (i.e. 1P and 2P) for coal and proved reserves (i.e. 1P) for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves, and companies making a statement about their ownership of reserves.

Fossil Fuels - Any Tie: Companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not flag companies providing evidence of owning metallurgical coal reserves.

- Gambling

Problems with gambling can lead to bankruptcy, crime, domestic abuse, and even suicide. Māori and indigenous peoples generally have disproportionate gambling addiction levels. As People often living in more deprived areas, Māori and Pacific ethnicities are at greater risk of ‘problem gambling’ than those of other ethnicities. Māori and Pacific peoples are more highly represented in neighbourhoods of high deprivation.

- Genetic Engineering (GE)

Five sets of ethical concerns have been raised about Genetically Modified crops: potential harm to human health; potential damage to the environment; negative impact on traditional farming practice; excessive corporate dominance; and the 'unnaturalness' of the technology. In the future GE may make a significant contribution to reversing or managing the global issues we face today, in the meantime we apply a wait and watch approach.

- Human Rights & Environmental Violations

A lack of legal regulation and enforcement of industrial and artisanal mining, large-scale dams, deforestation, domestic water and sanitation systems, and heavily polluting industries can lead to a host of human rights violations.

- Nuclear Power

A major environmental concern related to nuclear power is the creation of radioactive wastes such as uranium mill tailings, spent (used) reactor fuel, and other radioactive wastes. These materials can remain radioactive and dangerous to human health for thousands of years.

- Producton or Purchase of Palm Oil

The biggest impact of unsustainable palm oil production is the large-scale devastation of tropical forests. A further significant impact is the widespread habitat loss for endangered species.

- Tobacco and Vaping

Ethical exclusion, due to its disproportionate negative health impact on Māori and indigenous peoples.

- No Female Board Representation

In recognition of gender equality, companies without a female on the board are excluded. We also have positive screens for both gender and ethnic diversity on boards and in senior management or executive level.

How do we screen for exclusions?

The MSCI BISR (Business involvement screening research) covers many of the above exclusions.

Below is an example of a BISR screen summary from the MSCI ESG system.

Business Involvement Screening (BISR)

Business Activity	Involvement
Abortion, Abortifacients and Contraceptives	No
Adult Entertainment	No
Alcohol	No
Animal Welfare	No
Defence/Weapons-Related Activities	No
Civilian Firearms	No
Fur	Not Subscribed
Gambling	No
Genetic Engineering	No
Nuclear Power	No
Pork Products	No
Predatory Lending/CRA Rating	No
Stem Cell Research	No
Tobacco	No

Qualitative Corporate Responsibility	Information?
Child Labour	-
Women Board Members	Yes
Global Sanctions	-

Palm oil is the only product related screen not covered by the MSCI ESG system. Palm Oil production and use is industry specific therefore not difficult to trace. There are also MSCI ESG factor level measures on palm oil that we monitor.

Human Rights & Environmental Violations and Global Sanctions are covered in the controversy screens, which monitor current or pending law suits. These exclusions are also monitored via Media scans and alerts.



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