

Te Hauwha Tuawha | 4th Quarter Report

Hakihea: 31 December 2024



TAHITO Te Tai o Rehua Fund

This communication is for information purposes only and does not represent an offer to invest in TAHITO.

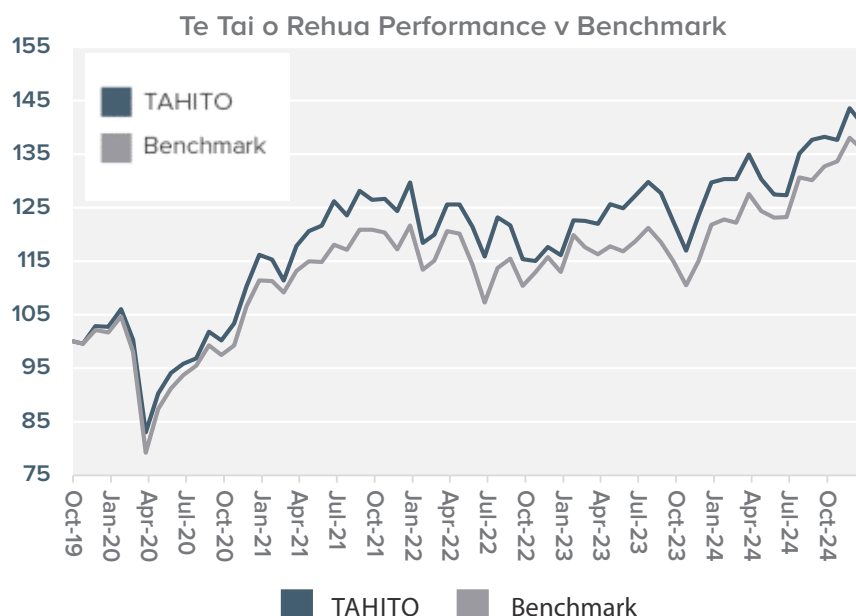
31-Dec-24	Month	3 Mths	6 Mths	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception (p.a.)
Fund	-2.1%	1.7%	10.4%	8.4%	8.4%	9.7%	2.5%	6.3%	6.6%
Benchmark	-1.6%	2.3%	10.1%	11.5%	11.5%	9.7%	4.3%	6.3%	6.4%
Alpha	-0.4%	-0.5%	0.3%	-3.1%	-3.1%	0.0%	-1.8%	0.0%	0.2%

Benchmark - 50% NZX 50 Portfolio index (including imputation credits) / 50% ASX Accumulation 200 index (in NZD). Fund returns are after deductions for fees but before tax. Benchmark returns have no deduction for fees or tax.



The TAHITO Te Tai o Rehua Fund has been certified and classified by the Responsible Investment Association Australasia according to the operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestments.com.au and RIAA's Financial Services Guide for details.¹

1. The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and needs and also consider the terms of any product disclosure document before making an investment decision. Certifications are current for 24 months and subject to change at any time.



TAHITO Motuhake | TAHITO Te Tai o Rehua Fund Performance

Te Tai o Rehua Fund underperformed the benchmark for the month of December returning -2.1%, -0.4% behind the benchmark. The return for the fourth quarter to 31 December 2024 was 1.7%, down -0.5% on the benchmark. The NZ market provided a small positive performance in December, with the NZX 50 showing 0.4% while the ASX 200 was down -2.8% (in NZD). Both markets were up over the December quarter in NZD terms, with the NZX 50 showing 5.6% and the ASX 200 up 0.8% (in NZD).

The interplay of monetary policy adjustments, inflation dynamics, and broader economic conditions were pivotal in driving the New Zealand share market during the December quarter. The Reserve Bank of New Zealand's decision to cut the Official Cash Rate (OCR) by 50 basis points to 4.25% in late November provided a boost to investor confidence. Despite this, inflationary pressures remained a concern, particularly non-tradeable inflation, which includes costs such as insurance, rent, and electricity. The strength of the NZ dollar and geopolitical uncertainties played significant roles in shaping market behaviour. The consensus forecast highlights modest economic growth, with household spending constrained by rising living costs. The opportunities in NZ equities in 2025 look good. The OCR is forecast to

fall by more than 100bp, and is likely to be accompanied by corporates executing aggressive cost-cutting and productivity initiatives.

The Australian economy has slowed but continues to show broad resilience, with iron ore remaining at close to \$100 per tonne and a consumer who remains active despite higher mortgage rates. The Reserve Bank of Australia kept rates unchanged but signalled the prospect of a rate cut in February 2025. The ASX market was shaped by a combination of increased volatility, reduced capital raisings, and cautious trading activity in the December quarter. The future ASX market volatility, measured by the S&P/ASX 200 VIX, increased by 4% compared to the previous corresponding period. This heightened volatility reflected broader market uncertainties. Total new capital quoted was \$7.2 billion, a significant decrease from \$12.6 billion in the previous corresponding period. The average daily value traded on-market was \$5.291 billion, down 1% from the previous corresponding period. This slight decrease in trading value, coupled with increased volatility, suggests a cautious approach by investors amid uncertain economic conditions.

Continued on next page...

TAHITO Fund Performance - Continued

Market performance around the globe was mixed over the quarter with Japan and the Nasdaq the strongest. December quarter performance: The MSCI World (incl. emerging markets) was up +1.9%, S&P 500 +2.4%, the Nasdaq 100 +4.9%, Euro Stoxx 50 -1.8%, UK FTSE 100 -0.2%, Chinese CSI 300 -1.7% and the Japan Nikkei 225 +5.4%. With the sharp fall in the NZD against the USD during the December quarter, performance looked strong in NZD terms e.g. the MSCI World (incl. emerging markets) was up +12.8% and the NASDAQ 100 +19.6% in NZD.

In 2024, technology stocks led the market, driven by the AI narrative and the US election. Nvidia was up 171.3%, Meta 66.0%, and Tesla 62.5%. The US Federal Reserve cut interest rates by 0.25%, signalling progress towards its goals of maximum employment and price stability, though future rate cuts in 2025 might be slower than anticipated. Looking ahead to 2025, the environment for equities is expected to be productive, with global economic growth improving due to supply-side reforms in the US. Markets have responded positively to Trump's presidential success and the GOP's control of Congress, with expectations that deregulation and corporate tax cuts will support growth and productivity. Additionally, monetary policy support from central banks and a pro-growth tilt by the Chinese government are expected to create a favourable environment for stocks. However, potential inflation reacceleration and rising US bond yields could introduce volatility in risk asset pricing. Despite these challenges, the overall outlook for earnings and equities remains positive for the next 12 months.

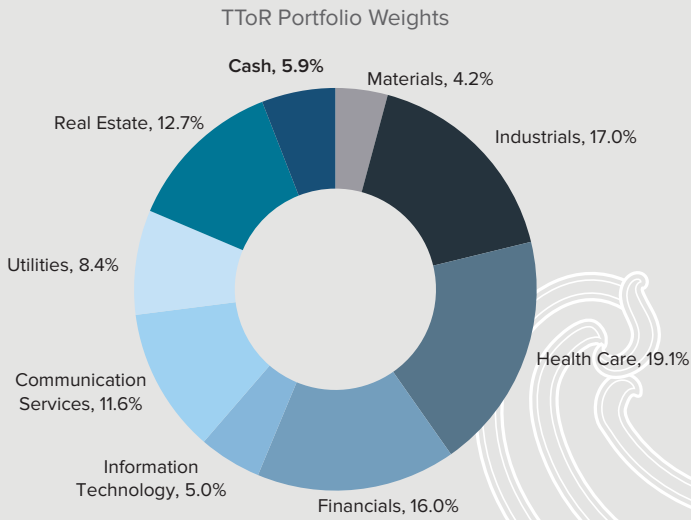
The key movers in the TToR Fund during the month were:

- Transurban Group +7.1%. Reflecting stronger than expected traffic data.
- Computershare Ltd +6.5%. The company's share price continued to benefit from rising interest rates in the US, and a strengthening US dollar (Computershare earns most of its profits in the US). The acquisition of Ingage IR Limited, a provider of investor relations services, is expected to enhance Computershare's service offerings and strengthen its market position. This contributed to the positive market response.
- Sims Ltd -9.4%. A substantial shareholder announced that they were ceasing their position in the company, denting investor confidence.
- Meridian Energy -4.8%. National hydro storage dropped from 134% to 114% of the historical average by mid-January 2025. A reduction in hydro storage impacts the company's ability to generate electricity efficiently. National electricity demand in December 2024 was 3.2% lower compared to the same month the previous year.

Good news regeneration (te whakahau) stories from Hakihea - December 2024:

- Hawaii's ambitious replacement of its last coal plant with a massive battery installation demonstrates how traditional power grids can successfully transition to clean energy. The battery system works by absorbing excess power from renewable sources and releasing it when needed, challenging sceptics who question whether a reliable grid can operate without fossil fuels. This innovative approach not only maintains consistent power delivery but also proves that with proper energy storage solutions, renewable energy can fully support modern power demands, making Hawaii a leading example for other regions considering similar transitions.
- The restoration of forests in the eastern United States stands as a powerful testament to nature's ability to combat climate change. Following extensive deforestation from the late 18th to early 20th centuries, the region has witnessed a remarkable ecological recovery with the restoration of approximately 15 million hectares of forest cover. This successful reforestation effort has produced tangible benefits, as these restored forests now act as natural climate regulators, helping to cool the region despite global temperature increases. The eastern U.S. experience demonstrates how trees, serving as nature's premier environmental defenders, can effectively mitigate the impacts of climate change through large-scale restoration efforts.
- Global renewable energy adoption is experiencing unprecedented growth, with notable milestones like U.S. wind energy surpassing coal-fired generation in April. The International Energy Agency projects a significant expansion of renewable capacity, anticipating an addition of 5,500 GW by 2030 and a 2.7-fold increase compared to 2022 levels. While this impressive growth falls slightly short of the UN's goal to triple capacity by 2030, renewable sources are still expected to provide nearly half of the world's electricity needs by the end of this decade, marking a transformative shift in global energy production.
- New Zealand's electric vehicle (EV) sector is facing significant challenges as the government rolls back previous incentives. The Clean Car Discount ended on January 1, road user charges were implemented on April 1, and ACC levies for EVs are set to increase from \$42.09 to \$109.05 next year, eventually reaching \$122.24 by 2027/28 - double the rate for petrol vehicles. These policy changes have impacted the market significantly, with new battery electric vehicle registrations down 55 percent year-over-year to November. However, industry experts like Motor Industry Association's Aimee Wiley note that EVs are actually cheaper now than during the rebate period due to dealers clearing excess stock, and Drive Electric's Kirsten Corson emphasises that EVs remain cost-effective to operate, costing approximately \$3 per 100km when charging at home compared to \$20 for typical cars. Despite these challenges, experts stress that the transition to EVs is crucial for New Zealand, which has one of the oldest vehicle fleets in the OECD, though they acknowledge it will take decades to significantly transform the country's vehicle fleet, similar to Norway's experience since 1990.

TAHITO Te Tai o Rehua Portfolio Weights



Ngā āhuatanga motuhake o te Tahua Key features of the fund

- Positive ethical screening
- Low carbon foot print
- Holistic sustainability measures
- High ESG quality
- Active management
- Experienced team
- Environmental & social impact
- Competitive fees

Top 5 Investment Holdings	Sector	T-Score	V-Score	Mkt Cap \$NZbn	Weight
Meridian Energy	Electricity NZ	6.9	5.8	15.6	7.8%
Spark New Zealand	Telecommunications	6.1	5.7	5.6	5.8%
Brambles	Commercial Services	5.8	6.0	26.0	5.4%
Summerset	Retirement NZ	5.0	5.3	2.8	4.7%
Sims Metal Management	Metals & Mining	6.0	5.3	2.5	4.5%

Te Māketē Nama Waro o te Ao | The Global Carbon Credit Market

The global carbon credit market was valued at around USD 1.4 billion last year, with demand remaining flat and average spot prices falling by 20%. Despite this stagnation, the market shows signs of potential growth due to the increasing number of companies setting ambitious climate commitments and several positive policy and market developments. By the end of 2024, over 6,200 carbon projects were registered, issuing 305 MtCO_{2e} of credits, while 180 MtCO_{2e} of credits were retired, with a slight increase in removal credits. Spot prices averaged USD 4.8 per tCO_{2e}, down 20% from the previous year. Projections suggest that the market could grow significantly, potentially reaching USD 7 to 35 billion by 2030 and USD 45 to 250 billion by 2050.

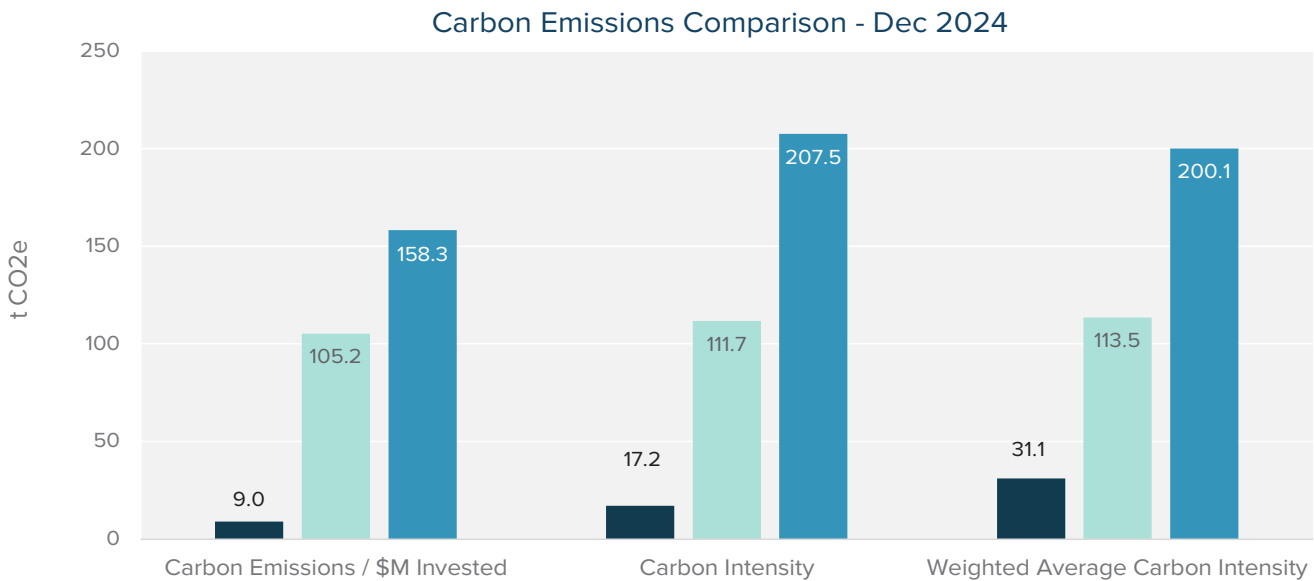
[Frozen Carbon Credit Market May Thaw as 2030 Gets Closer - MSCI](#)

Te Whakaaturanga Tahua | Fund Description

Putting Environment and People before profit: The TAHITO Te Tai o Rehua is a values led ethical and sustainable Australasian equities fund for investors who want competitive market returns but equally would like to see their capital applied to a high ethical standard and in investments that are making a positive social and environmental impact.

TAHITO Te Tai o Rehua provides a holistic accountability on wellbeing using ethical and sustainable screens derived from Māori indigenous values. Māori values and ethics place people and the environment in high priority. This thinking is derived from the ancestral Māori worldview, which can be described as a holistic socio-ecological system that centres on the connection and interrelationship of all things. The process is called 'Te Kōwhiringa Tapu' which translates to 'Careful Selection'.

Te Kōwhiringa Tapu investment process integrates ESG on a values basis and applies a positive scoring system. The fund measures 'Aroha Connection', because the stronger the Aroha the better the Mauri. We are effectively measuring 'behaviour change', 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 long-term sustainability to enhance financial returns.



The carbon emissions in Te Tai o Rehua Fund are 89% lower than all NZ AU MSCI listed equities with a AAA or AA ESG rating. Carbon intensity is 85% lower and weighted average carbon intensity is 86% lower. (NZ AU AA+ = New Zealand and Australian equities with an ESG rating of AA or better) (NZ AU IMI = The Morgan Stanley New Zealand and Australia Investible Market Index).

Global Risk Report 2025

The World Economic Forum's **Global Risks Report 2025** presents a sobering analysis of the most pressing global challenges. The report identifies state-based armed conflict as the most immediate risk, reflecting heightened geopolitical tensions and the potential for widespread instability. Environmental concerns continue to dominate the risk landscape, with severe weather events and the impacts of climate change posing significant threats to communities and economies worldwide. Additionally, the report highlights the growing issue of disinformation, which exacerbates societal divisions and undermines trust in institutions, further complicating efforts to address global challenges.

Economic instability remains a persistent concern, with ongoing economic challenges and inequalities contributing to global instability. The report underscores the need for collaborative efforts to address these risks and build resilience for a more stable future. By fostering international cooperation and leveraging innovative solutions, the global community can work towards mitigating these risks and ensuring a more secure and prosperous world for all. The WEF emphasises the importance of proactive measures and strategic planning to navigate the complex and interconnected risks outlined in the report.

[WEF Global Risks Report 2025](#)

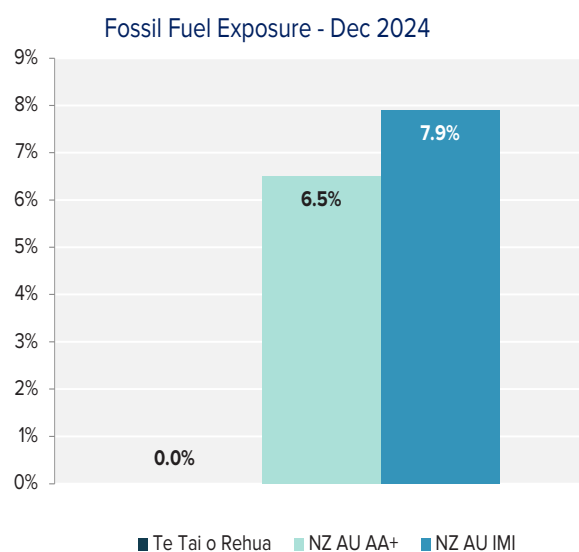
Te Kura Whakangao | Investment Philosophy

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

1. We are ethical investors. We actively seek companies that are well run and meet our stringent Māori ethical screening tests.
2. We have a disciplined approach to risk management.
3. We actively manage the portfolio, enabling quick assessment and reaction to adverse changes.
4. We look for long term sustainable growth potential and a willingness to change and engage new tech.
5. We take a long-term view.
6. We are values-based investors. We invest in quality companies that are serious about their ethics and committed to low environmental impact and a high-level of social and corporate responsibility.
7. All securities undergo fundamental valuation and financial quality analysis.
8. We integrate MSCI Environmental Social and Governance (ESG) research on a values basis in our ethical screening.

TAHITO | Portfolio Analysis as at 31 December 2024

Risk	TAHITO TToR	Benchmark	Difference
Total Risk	12.0	11.9	0.1
Tracking Error	4.5		
Beta	0.94	1.00	-0.06
Number Of Stocks	27	250	-223
Active Share	71%		
Aggregate Statistics: Value	TAHITO TToR	Benchmark	Difference
Dividend Yield	3.7%	3.6%	0.1%
Earnings Yield	4.9%	5.3%	-0.4%
Quality			
High Quality	31.0%	24.6%	6.4%
ROE	5.2%	5.8%	-0.6%



TAHITO Engagement and Proxy Voting

Whakarāpopototanga | Summary

During the third quarter of 2024 TAHITO submitted proxy votes for following companies:

NXT - NextDC Limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). NXT has three females on a nine-member board. NXT should be making an effort to move toward gender equity. TAHITO voted against the re-election of the male directors. NXT has a very high wage ratio of 34 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report, and against the grant of rights under their long-term incentive plan to the CEO. TAHITO voted for the ratification of the institutional placement of shares as this enables business growth as we are happy with the NXT sustainability efforts and practices with data-centre development. (Wage ratio definition: Great <=10, Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

SEK - Seek Limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). SEK has three females on a nine-member board. SEK should be making an effort to move toward gender equity. TAHITO voted for the re-election of Rachael Powell and against the three male members up for re-election. SEK has a very high wage ratio of 34 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report, and against the one-off equity right to the CEO. TAHITO also voted against the grant of wealth sharing plan options and rights as this only benefits the CEO, and against the leaving benefits approval as that it only benefits executives and management. (Wage ratio definition: Great <=10, Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

Continued on the next page...

TAHITO Engagement and Proxy Voting continued

SHL - Sonic Healthcare Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). SHL has near gender parity with four females on a ten-member board. TAHITO voted for the re-election of Kate Spargo. SHL has an extremely high wage ratio of 63 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report, against the increase in available pool for non-executive directors, and against the long-term incentive plans for the CEO and CFO. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

MGR - Mirvac Group: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). MGR has only two females on a seven-member board. MGR should be taking the opportunity to move toward gender parity. TAHITO voted for the re-election of Jane Hewitt, against the re-election of Damien Frawley and against the election of James Caln. MGR has a very high wage ratio of 37 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report and against the participation of the CEO in the long-term performance plan. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

SGM - Sims Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). SGM has near gender parity with three females on an eight-member board. TAHITO voted for the re-election of Victoria Binns and Grant Dempsey. SGM has a very high wage ratio of 45 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report and against participation in the long term incentives plan for the CEO. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

INA -Ingenia Communities Group: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). INA has near gender parity with three females on an eight-member board. TAHITO voted for the election of Lisa Scenna, Shane Gannon, Simon Shakesheff and Robert Morrison. INA has a high wage ratio of 17 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10.). On this principle TAHITO voted against the Remuneration Report and against the incentives for the CEO. TAHITO voted for the Spill Meeting. If more than 25% of votes are against the Remuneration Report, then that is a strong signal that the salaries and remunerations are not aligned to the equity principles and ethics that the company espouses. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

MPL - Medibank Private Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). MPL has only three females on a nine-member board. MPL should be taking the opportunity to move toward gender parity. TAHITO abstained from voting for the re-election of Gerard Dalbosco and the election of Jay Weatherill. MPL has a high wage ratio of 32 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the adoption of the Remuneration Report and against the performance rights to the CEO. TAHITO voted against the Non-executive Director Remuneration. The TAHITO view is that the Directors are adequately compensated against our equity target ratio of three times the median wage. TAHITO voted against the amendment to the constitution to increase the number of board members from 9 to 12. A nine-member Board should be sufficient.

CPU - Computershare Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). CPU has near gender equity with three females and five males on the board. TAHITO voted for the re-election of Paul Reynolds, Lisa Gay and John Nendick and for the election of Gerrard Schmid. CPU has an extremely high wage ratio of 91 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). On this principle TAHITO voted against the Remuneration Report and against the FY25 LTI grant to the CEO.

AEF - Australian Ethical Finance: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). AEF has gender equity with three females and three males on the board. TAHITO voted for the re-election of Julie Orr and Richard Brandweiner. TAHITO abstained in the vote for the increase in the director fee pool. The TAHITO view is that the directors are adequately compensated against our equity target ratio of three times the median wage. AEF has a high wage ratio of 17 to 1, while this is relatively good when compared to the industry average it is still well above the TAHITO ideal target. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted against the long-term hurdled performance share rights to the CEO and against the Remuneration Report. TAHITO voted for the Spill Meeting. If more than 25% of votes are against the Remuneration Report, then that is a strong signal that the salaries and remunerations are not aligned to the equity principles and ethics that the company espouses.

SPK - Spark NZ Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). SPK has five females and only three males on the board. TAHITO voted for the re-election of David Havercroft, Lisa Nelson and Warwick Bray. TAHITO voted for authorising the board to fix auditor fees.

HGH - Heartland Group: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). HGH has only one female on the board of five members. They should be taking the opportunity to increase women on the board. TAHITO voted for the re-election of Kate Mitchell and abstained voting for the other three male members. TAHITO voted for the issue of shares at a price of NZD \$1 per share for the acquisition of shares in Alex Corporation in accordance with NZ listing rules. TAHITO voted for authorising the board to fix auditor fees.

CNU - Chorus limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The CNU board has near gender parity, with three women from seven members. TAHITO voted for the re-election of Miriam Dean and the election of Neal Barclay. TAHITO voted against the increase in aggregate remuneration to directors. CNU has a very high wage ratio of 45 to 1 (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10). TAHITO voted for authorising the board to fix auditor fees. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

Continued on next page...

TAHITO Engagement and Proxy Voting continued

WRWC - Reliance Worldwide Corp.: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The RWC board has near gender parity with three women from eight members. TAHITO voted for the re-election of Darlene Knight. TAHITO voted against the remuneration report based upon our equity principle. RWC has an extremely high wage ratio of 59 to 1. Accordingly TAHITO also voted against the long term incentive grants to the MD - CEO. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted for the renewal of proportional takeover approval provisions. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

SGP - Stockland Corporation: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The SGP board has only three women from 10 members. SGP should be taking the opportunity to increase female board members. TAHITO voted against the election of Robert Johnston, against the re-election of Adam Tindall and Laurence Brindle and for the re-election of Melinda Conrad. TAHITO voted against the approval of the remuneration report based upon our equity principle. SPG has a very high wage ratio of 43 to 1. Accordingly, TAHITO voted against the grant of performance rights to the MD and against the increase in maximum fee cap payable to non-exec directors. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted against the renewal of the termination benefits framework because it excessively benefits the management and executives. TAHITO followed the directors recommendation and voted for the amendments to the company constitution, the renewal of the takeover provisions and the approval of financial assistance in accordance with section 160B(2) of the Corporations Act in relation to the acquisition of 12 master planned communities. (Wage ratio definition: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

TCL - Transurban Group: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The TCL board has near gender parity with four women from 10 members. TAHITO voted for the election of Gary Lennon and the re-election of Craig Drummond, Timothy Reed and Robert Whitfield. TAHITO voted against the adoption of the remuneration report based upon our equity principle. TCL has an extremely high wage ratio of 73 to 1. TAHITO also voted against the performance awards to the CEO. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. (Wage ratio definitions: Great ≤ 10 , Moderate 11 to 15, High 16 to 30, Very High 31 - 50, Extremely High >50)

EBO - Ebos Group Limited: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The EBO board has gender parity, with three women out of six members. TAHITO voted for the election of Matthew Musico and the re-election of Tracy Batten and Elizabeth Coutts. TAHITO voted against the remuneration increase for non-executive directors based upon our equity principle. EBO has a very high wage ratio of 80 to 1. This equity principle also has relative application to director remuneration (it is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO voted for the directors to fix audit fees.

BXB - Brambles Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The BXB board has four women out of nine members. TAHITO voted for the re-election of Elizabeth Fagan. TAHITO voted against the remuneration report based upon our equity principle. BXB has a very high wage ratio of 91 to 1. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO also abstained from voting on the amendments to the issue of shares under the performance share plan and the participation of the Exec Director in the performance share plan based upon our equity principle. TAHITO voted for the Myshare Plan as this provides benefits and incentives to employees at all levels.

MEL - Meridian Energy Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The MEL Board has four women out of seven members. TAHITO voted for the re-election of Tania Simpson.

IEL - IDP Education Ltd: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The IEL board has four women out of nine members. TAHITO voted for the re-election of Prof. Colin Sterling and Chris Leptos. TAHITO voted against the remuneration report based upon our equity principle. IEL has a high wage ratio of 20 to 1. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO also voted against granting performance rights and the granting of service rights to the CEO.

CBA - Comm Bank: Whakarongo – tō hiwa (Balanced – collective awareness / equity and diversity). The CBA board has gender parity with five women out of 10 members. TAHITO voted for the re-election of Julie Galbo and Peter Harmer and the election of Kate Howitt. TAHITO voted against the remuneration report based upon our equity principle. CBA has an extremely high wage ratio of 80 to 1. It is the view of TAHITO that wage disparity in corporates, sports and other areas is a significant contribution to global inequity. Ideally the difference between the median wage and top salary should be no more than a multiple of 10. TAHITO also voted against granting securities to the CEO.

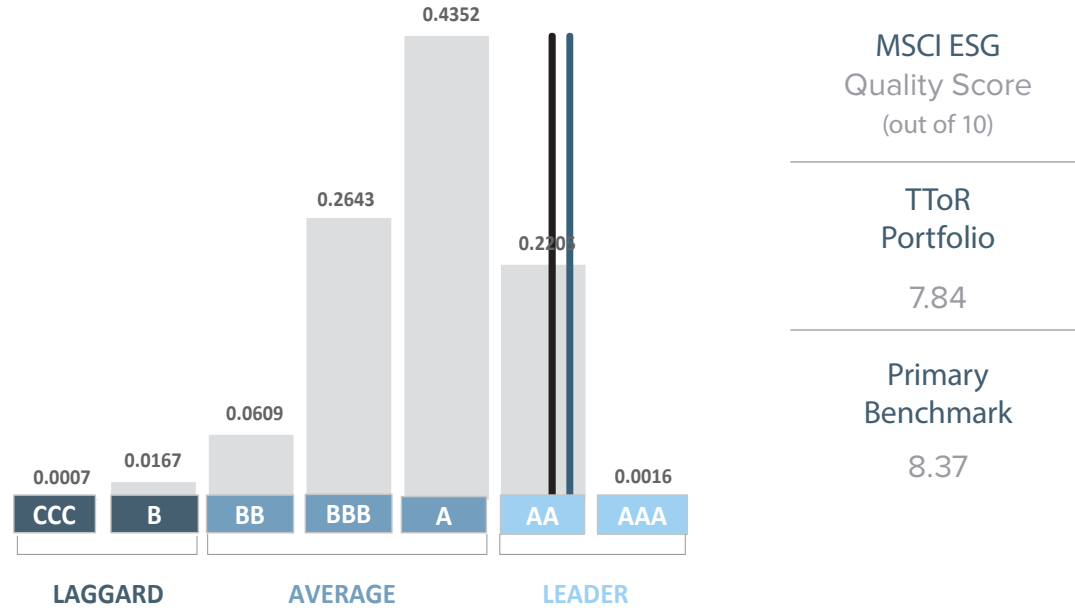
Company Engagement:

ARX - Aroa Bio-surgery: Meeting with ARX CFO. the company is still developing carbon reduction, Net Zero and circular economy road maps. Aroa acknowledges it still has work to do in this area. To remain on our watch list.

RWC - Reliance Worldwide: It was brought to our attention that RWC valves are being used to cool a nuclear reactor in the UK and play an important role in maintaining the reactor at a safe operating temperature. We approached RWC on this matter. RWC Response: RWC is not directly involved in the nuclear industry in any way. We do not make products specifically for that industry nor do we target it. The valves we manufactured and sold in the UK in 2017 were purchased by a plumbing contractor and used as part of the cooling solution for a nuclear power plant in the UK. The valves were a standard RWC product, sold through a third-party channel. At the end of the day we have limited control over the end use of our products as they are all sold through third party channel partners. In our own operations, we are on target to achieve a 42% reduction in Scope 1 and 2 emissions by 2040 and have committed to a Net Zero target by 2050. The two largest countries from a revenue point of view for RWC, the US and UK, both generate electricity through nuclear power.

MSCI ESG | Fund Metrics Distribution

Coloured bars correspond to portfolio and benchmark ESG Quality Scores



Te Tai o Rehua Fund ESG summary

PORTFOLIO
Weighted Avg ESG Score

Portfolio 7.84
Te Tai o Rehua Fund

Benchmark 8.37
MSCI NZ AU AA & AAA ESG Rating

MSCI ESG Ratings

AA

AA

PORTFOLIO ESG Rating Summary

ESG Quality: Leader
6.3% below benchmark

ESG Ratings Distribution: Leaders 30.9% under benchmark
Portfolio Laggards% = Benchmark Laggards%

ESG Ratings Momentum: Upward momentum 6.7% over benchmark
Downward momentum 12.6% over benchmark

Xero Limited (XRO)

Whakarāpopototanga | Summary

TAHITO evaluates Xero Limited's alignment with TAHITO's indigenous ethical investment framework, focusing on environmental stewardship, social responsibility, and governance practices. While Xero demonstrates strong foundational commitments to sustainability and social responsibility, there are significant opportunities to deepen their integration of indigenous values and regenerative practices.

Xero Limited	Score
Women Directors	42.9%
Women in Executive roles	62.0%
\$M Donations and community grants	\$4.70
% of NPAT to community grants	2.7%
Has achieved Carbon Neutral (CO2 only, Y/N)	Y
Target date for carbon neutral if N	Achieved
Has set target for Net zero scope 1,2 (Y/N)	Y
Target date for Net zero Scopes 1&2	2050
Has set target Carbon Net zero Scopes 1,2 &3 (Y/N)	Y
Target date for Net zero Scopes 1,2 & 3	2050
Scopes 1&2 Carbon Emissions - Key *	Reported
Scope 1+2 (metric tons) *	793
Scope 1+2 Intensity (t/USD million sales) *	0.8
Scope 3 Carbon Emissions - Key *	Estimation
Scope 3 - Total (combined dataset) *	115,697
Scope 3 - Total Sales Intensity (combined dataset) *	112.9
Total GHG Emissions (Scopes 1, 2 and 3) *	116,490

Software and Services	Score
T-score	5.5
ESG Rating	AA
Te Pai o Rangi TAHITO Score	8.3
Climate Change Theme Score*	10.0
Te Poho o Papa TAHITO Score	4.4
Environmental Pillar Score*	5.2
Environmental Opportunities Score*	3.0
Natural Capital Score*	7.1
Pollution and Waste Score*	-
Human Capital Score*	0.9
Wage Ratio (multiple of median wage)**	126
Qualitative TAHITO Community Score	4.0

Carbon intensity +tons / \$M sales

* MSCI ESG data and scores

** CEOs salary divided by the median wage

Whakarāpopototanga | Summary

Environmental Performance and Climate Response

Xero has established a credible foundation for environmental responsibility through its "Net Zero @ Xero" program. The company achieved carbon neutrality certification from Climate Active in FY20 and has maintained this status. Their emissions profile shows relatively low direct impacts, with total emissions of 35,973 tCO₂e in FY24 under an expanded boundary to include new Scope 3 sources.

The company has set science-based targets, including a 42% reduction in Scope 1 and 2 emissions and a 17% reduction in Scope 3 emissions by 2030 from FY20 levels. While these targets demonstrate commitment, they could be more ambitious given Xero's digital business model and relatively low operational footprint. A significant gap exists in Xero's approach to circular economy principles and biodiversity. While their cloud-based service model inherently supports dematerialisation, the company lacks a comprehensive framework for resource stewardship and regenerative practices that would align more deeply with Te Ao

Social Impact and Community Engagement

Xero's social impact initiatives demonstrate positive intent but require deeper integration of indigenous wisdom and collective responsibility. The company has made progress on diversity metrics, with 42.9% female board representation and a goal to achieve 10% representation from underrepresented groups by FY27 (currently at 5.5%).

Their community engagement includes charitable giving exceeding NZD 4.7 million in FY24, with the largest contribution in discounts to non-profits of \$2.83M. While Xero acknowledges indigenous rights in their diversity policies, there is opportunity to strengthen indigenous partnerships, procurement policies, and cultural competency programs.

Financial Performance and Governance

Xero maintains strong financial performance with FY24 showing:

- Operating revenue of \$1.7 billion (22% growth)
- Net profit after tax of \$174.3 million
- Healthy subscriber growth across key markets
- Strong balance sheet with \$498.8 million in cash and cash equivalents

Their governance framework emphasises ethical conduct and transparency, though there is room to enhance indigenous perspectives in decision-making processes and stakeholder engagement.

Alignment with TAHITO Values and Principles

Strong Alignment Areas:

- Whakatau (consensual): Clear governance framework and ethical standards
- Humarie (harmony): Demonstrated adaptability and innovation in digital transformation
- Kawa (cyclical): Long-term focus on sustainability and business resilience

Development Opportunities:

- Whanaungatanga (relational): Could strengthen indigenous partnerships and community connections
- Mahitahi (co-operational): Need for enhanced collaboration on environmental solutions
- Utu (reciprocal): Opportunity to develop more robust environmental regeneration initiatives
- Honotahi (complementary): Room to improve integration of sustainability across operations

Recommendations

1. Develop more ambitious environmental targets aligned with indigenous principles of guardianship
2. Strengthen indigenous engagement through structured partnerships and procurement policies
3. Enhance transparency in community investment reporting and impact measurement
4. Establish comprehensive circular economy and biodiversity frameworks
5. Deepen integration of Te Ao Māori principles in governance and decision-making

Conclusion

While Xero demonstrates sound fundamentals in sustainability and social responsibility, significant opportunity exists to enhance their alignment with TAHITO's indigenous values framework. Their digital business model and strong financial position provide an excellent foundation for deeper integration of regenerative practices and indigenous wisdom. The company shows promise but requires more intentional transformation toward truly collective and regenerative business practices.

Information Disclaimer: This is for information purposes only. It does not take into account your investment needs or personal circumstances and so is not intended to be viewed as investment or financial advice. Should you require financial advice you should always speak to your Financial Adviser. Before investing you should read the TAHITO Te Tai o Rehua Product Disclosure Statement and Statement of Investment Policy and Objectives, available at www.tahito.co.nz and www.companies.govt.nz/disclose. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. Reference to taxation or the impact of taxation does not constitute tax advice. The levels and bases of taxation may change. This has been prepared from published information and other sources believed to be reliable, accurate and complete at the time of preparation. While every effort has been made to ensure accuracy, neither Clarity Funds Management, nor any person involved in this publication, accept any liability for any errors or omission.