

Responsible Investment Policy

Sustainable investing through incorporation of ESG practices within the entire investment process, is closely aligned with H.R.L Morrison & Co's (MCO) purpose, values and vision.

MCO's Responsible Investment policy outlines this commitment as well as how ESG issues are considered and monitored.

ESG risks and opportunities form part of the review of all investments and are revisited regularly. This is managed at all stages of the investment cycle, from due diligence through to on-going management and operation of the asset.

The policy is owned by the MCO Board and the CEO. Oversight of the policy is provided by the Client Operations Risk and Assurance team and regular updates are provided to the Audit and Compliance Committee.

In March 2010, MCO became a signatory to the UN Principles for Responsible Investment. MCO is committed to the implementation of these Principles¹ in its operations. While some of MCO's mandates are global in nature, investment in countries where political risk and corruption represent material risk are avoided. As a guide MCO uses the OECD Consensus Country Classifications.

Environmental:

MCO understands the vital role that the private sector plays in the provision of critical infrastructure and social services and considers environmental issues at all stages of the investment process, including the asset management phase.

Social:

MCO's people are its most valuable asset and MCO is committed to their development and wellbeing.

MCO values local knowledge, believes in the importance of remaining closely connected and seeks to maximise its involvement in the society in which it operates.

MCO is committed to improving societal/community outcomes and making a positive contribution on a personal level and through generation of "ideas that matter".

The Lloyd Morrison Foundation was established to support organisations that seek to improve the lives of New Zealanders. Each year, a percentage of profits are donated to the Foundation to support this vision. MCO also encourages and supports its staff participating in civic and community activities of a charity nature.

Governance:

By carefully selecting people with an appreciation of their and the group's wider responsibilities and being transparent through clear and comprehensive reporting of outcomes and inputs, MCO is able to demonstrate what good governance looks like.

¹ We will: incorporate ESG issues into 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; each report on our activities and progress towards implementing the Principles.

MCO understands the importance of maintaining an ongoing dialogue with as many stakeholders as possible.

MCO deliberately takes a longer term view and has learnt that there is no right or wrong standard model for ownership in the provision of critical infrastructure and social services. Rather, to be successful MCO leverages its deep pool of operational expertise as well as encouraging diversity of thought. Through probity and candour, MCO is able to assess asset quality on an ongoing basis, and provide effective oversight of capital and resource allocation.

Approach to ESG Incorporation:

MCO uses a top down screen strategy to complement an in depth bottom up investment research approach including integration strategies as part of ESG incorporation into investment decisions.

MCO has a deliberate strategy of having only a few clients which narrows the universe of potential opportunities and areas of investment focus. Furthermore, there will be areas where clients do not wish to invest, including for ESG related reasons.

The fundamental belief in a longer term orientation ensures that ESG is factored into the research and asset selection process as these are considered value accretive.

MCO actively seeks to participate in essential services that extends to addressing fundamental societal issues e.g. the cost and sustainability of energy, an aging population, improved connectivity, and the provision of contemporary social infrastructure.

Identifying and Prioritising ESG Engagements

While MCO will actively engage with companies as part of the initial investment due diligence process, ongoing ESG engagement varies depending on a range of factors, including whether the investment is listed or unlisted, the extent of influence through board representation, MCO's operational involvement, capability of the existing management team.

MCO has the following engagement objectives:

1. Encourage high governance and RI standards
2. Identify any material ESG risks as part of the initial and ongoing investment thesis
3. Engage on any material ESG risks and influence ESG practices

Where MCO has a Board seat, ESG engagements occur in this forum as well as between MCO investment team members and company management. For minority listed positions without Board influence, the MCO investment team will typically engage with senior management on any ESG issues identified.

The following outlines MCO's approach to identifying and prioritising engagements with companies:

Identification:

1. Identify engagements during investment as part of the investment approval process
2. Identify engagements during the ongoing monitoring and evaluation of investments
3. Identify engagements through guidance from clients/service providers

Prioritisation:

1. Prioritise by the materiality of the ESG risk
2. Prioritise by the level of influence on ESG practice that MCO can achieve