Harbour Asset Management

Environmental, Social and Governance Policy

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1. Scope

The Environmental, Social and Governance Policy (Policy) applies to Harbour Asset Management Limited's (Harbour, we, us, our) registered and wholesale Managed Investment Schemes, namely.

I. Harbour Investment Funds
II. Harbour Wholesale Series
III. BNZ KiwiSaver Scheme
IV. Private Wealth Series
V. YouWealth
VI. Harbour Asset Management Unit Trusts
VII. Hunter Investment Funds
VIII. It does not apply to BNZ Term Pie managed by Harbour or the Hunter Global Fixed Interest Fund investments managed by PIMCO.

A glossary of terms used through this document can be found here.

2. Introduction

Harbour is a client-focused, research-driven, investment manager. Our analysis across both equity and fixed interest markets is dedicated to producing superior investment results.

This document refers to Harbour's investment approach and the integration of Environment, Social, and Governance (ESG) aspects of a company into that process. This Policy is reviewed and updated, at least on an annual basis and is approved by Harbour's Investment Committee.

Approach to ESG

Harbour offers investment funds that primarily apply an ESG integration approach. We define **ESG integration** as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions.

For most Harbour funds, ESG considerations are integrated as one of several inputs into investment decision-making. Financial returns remain the primary objective unless otherwise stated. Harbour does not target specific ESG outcomes for most funds but monitors ESG performance using various metrics to inform investment decisions (e.g. in the Sustainable NZ Shares Fund).

This approach reflects our belief that ESG issues influence investment risk and return, and integrating these will strengthen decision making.

Beliefs

1. Harbour believes that companies that manage ESG considerations well are more likely to create shareholder value, with a reduced risk profile, compared to those who do not.
2. Harbour believes that strong corporate governance is often correlated with strong company management of environmental and social aspects.
3. Harbour believes that ESG risks and opportunities are increasingly able to be identified and measured for individual companies, and that these risks are often not fully reflected by the market in the security price.
4. Harbour believes that an integrative approach to ESG can lead to stronger investment returns than the screening processes alone.

5. ESG monitoring and assessment is constantly evolving. Harbour believes in engagement on ESG matters and we reserve a divestment option where appropriate for the fund mandate.
6. Harbour's beliefs are based on a balanced understanding of the academic evidence and is consistent with empirical analysis of our own ESG process.

Transition plan

Harbour has developed a transition plan that is summarised in Appendix 3. It is based on three pillars: climate solutions, investing in the transition and building resilience. It is a holistic strategic framework that applies across the internally managed funds within Harbour Investment Funds, i.e. it does not include externally managed funds or client mandates. It covers a medium-term horizon, encompassing multiple asset classes. This plan is consistent across different global warming scenarios that may eventuate but there may be a greater strategic emphasis on different pillars according to what plays out in practice. For example, with the 'building resilience' pillar being more relevant under a high global temperature scenario for example.

This plan utilises measurement frameworks and models such as the Net Zero Investment Framework and Climate Value at Risk to assess how funds are tracking against each objective. Further information on the data baselines and progress according to the plan is expected to be provided in our annual Responsible Investment report (from 2026).

Sustainability Commitments

We recognise that many of our clients with tailored solutions via segregated mandates may have their own sustainability objectives which can include aligning portfolios to decarbonisation goals.

3. ESG Considerations:

Environment

Environmental considerations, particularly climate change, have been a growing part of our ESG process as improving data and scientific research highlights the materiality of these effects on companies over the long term.

Environmental factors can influence company performance through both acute and transitionary effects such as write downs in asset values ('stranded' assets), regulatory costs and changes in consumer behaviour.

Our integration process, through our Corporate Behaviour Survey, includes the following environmental issues:

- Carbon emissions disclosure and trend
- Environmental impact and risk management
- Energy use
- Waste
- Climate reporting framework alignment
- Biodiversity

Social

The management of social considerations of a company remains an important focus with employee, supplier and community relations all playing a key role. They emphasise the need to look after human health and welfare through best practice safety systems and human rights processes which is particularly important when assessing companies with operations and/or suppliers in developing countries.

Examples of social issues considered in our process include:

- Occupational health and safety
- Employee relations
- Diversity and inclusion
- Human rights and modern slavery
- Supply chain management
- Community engagement
- Cyber security and data privacy

Governance

Governance issues form a key part of our process reflecting our belief that companies that are well governed tend to result in stronger environmental and social outcomes. Robust governance of companies is important to promote high standards of ethics and conduct that help avoid any lapses in operating/risk management processes and align with stakeholder outcomes. Many different governance factors are captured in our process with some examples below:

- Board composition including skills, independence and diversity
- Executive remuneration and incentives
- Corruption and ethics
- Anti-competitive practices

4. Exclusions

Sector Exclusions

Harbour believes in applying an integrative approach, emphasising active ownership through engagement as a better way to influence changes in corporate behaviour. However, exclusions can be an effective ESG tool and we have set a baseline standard of responsible behaviour to exclude companies involved in some of the most controversial business activities likely to lead to significant harm in society.

Therefore, for internally managed Harbour Investment Funds, we do not invest in companies that to our knowledge derive any revenue from the below. More detail on the scope of these exclusions is in the Scope section below.

- The manufacture of tobacco, nicotine alternatives and tobacco-based products
- The manufacture or testing of nuclear explosive devices (NEDs)
- The manufacture or sale of chemical and biological weapons

- The manufacture or sale of cluster munitions
- The manufacture or sale of anti-personnel mines
- The manufacture or sale of recreational cannabis[1]
- The production of pornography
- The manufacture or sale of civilian automatic and semi-automatic firearms, magazines or parts

ESG Conduct

In addition, Harbour may exclude corporate issuers that exhibit poor conduct through substantial environmental, social, ethical or governance breaches, especially when adequate steps are not taken to address the issue and engagement is ineffective. These breaches are assessed by Harbour using third party information such as media reports, controversy screens, modern slavery scorecards and global frameworks such as the UN Global Compact principles and UN Guiding Principles for Business and Human Rights.

Harbour uses an external data provider MSCI to help assess the severity of controversies, with the 'very severe' and 'UN Global Compact status' flags being the most applicable in the decision-making process. Harbour also uses ISS Stoxx to assess modern slavery risks across all the funds it manages.

The relevant portfolio managers use the information above to determine the appropriate course of action.

Scope

Exclusions apply across all internally managed Harbour Investment funds aside from the NZ Index Shares Fund which aims to closely track its benchmark. They do not apply to derivatives/collective investment vehicles (e.g. ETFs, futures, options) which may be held by some funds according to their investment guidelines.

The exclusions apply to corporate entities; government agencies are included under corporate entities. Sovereign or sub sovereign entities are monitored through our sanctions screening process (see below).

The exclusions do not apply to the private equity asset class including private equity investments in third party funds or pooled vehicles. This is due to small allocations to this asset class, data limitations for monitoring business activity and limited ability to exit positions in this asset class. Due diligence is undertaken prior to investment in the third-party funds and any direct investments to assess alignment to this policy.

The exclusions may not apply to some Funds that have investments in third party funds or pooled vehicles. These are indicated in Appendix 1 with the symbol for “Exclusions in place but not on all underlying funds”.

External managers are assessed during the appointment process for their alignment with our exclusions policy. These managers are then monitored and consulted where appropriate on a best-efforts basis for any contentious holdings that may result from any differences in policy.

Additional exclusions apply to certain internally managed Harbour funds, schemes and externally managed funds. These are detailed in Appendix 1. We also accommodate exclusion screening

[1] A 10% threshold is in place for services related to recreational cannabis - please see Appendix 1 for more details

required by clients where they hold tailored solutions through segregated mandates or distribution agreements.

Sanctions

All portfolios can be subject to sanction-related exclusions by law. At any time, a fund may be prohibited from investing in certain sovereign or corporate instruments associated with targeted NZ or UN sanctions.

Process

Harbour utilises external data providers (currently Bloomberg, MSCI and ISS ESG) for screening services to ensure the active monitoring and compliance of these exclusions. These services allow us to distinguish between the type of business involvement i.e. manufacturing vs. distribution/sales and determine the revenue exposure. Any issuers identified as breaching the exclusion criteria are raised with Legal, Risk and Compliance and subsequently coded into the Bloomberg compliance system as restricted securities. Alternatively, clients that have exclusion lists as part of their segregated mandates are also coded into the Bloomberg compliance system and monitored accordingly.

Where exclusions apply to external managers, an updated exclusions list is sent to the relevant manager on a quarterly basis for inclusion into their pre-trade compliance process. External managers also confirm compliance with all aspects of the mandate on a quarterly basis. Post trade exclusion compliance is monitored by our custodian for externally managed mandates (where applicable).

The Harbour Exclusions Committee is responsible for assessing and approving changes to exclusions across both internally and externally managed funds. All decisions are reported to the Investment Committee. Exclusions are reviewed at least annually and these reviews are informed by client feedback, industry research and surveys as well as regulatory requirements.

Breaches

Any instances of non-compliance with our exclusions policy will be remedied by divesting from the securities that validly breach the criteria as soon as reasonably practicable, subject to the best interests of clients. This timeframe may vary, depending on factors such as liquidity and market closures.

5. Risks and limitations of ESG investing

ESG integration

Harbour believes that incorporating ESG factors into investment decisions, stewardship, and ongoing monitoring can support the identification and management of company-related risks and enhance long-term shareholder value. However, ESG integration does not guarantee improved investment performance and may not lead to superior returns, particularly over shorter timeframes.

The objective of ESG integration is to improve long-term outcomes for clients. Despite Harbour's structured approach to assessing and monitoring ESG factors at both company and portfolio levels, expected ESG outcomes may not be realised. This may arise from factors including:

- companies failing to execute on sustainability strategies or commitments.
- limitations in the availability, quality, or comparability of ESG data; and

- changes in regulatory or market environments.

Exclusions

Exclusions consistent with Harbour's ESG strategies may give rise to performance deviations against each Fund's applicable benchmark. The investment restrictions for the Harbour Sustainable NZ Shares Fund contain additional exclusions and may give rise to even larger deviations from the S&P/NZX Portfolio Index benchmark positions (which do not include these exclusions).

Reliance on third-party data

Harbour uses a combination of internal analysis and external ESG data providers to identify and assess ESG risks and opportunities. Third parties are also used to support exclusion monitoring and proxy voting activities.

Data providers are selected through a formal procurement process and are subject to periodic review and benchmarking against alternative providers. Notwithstanding this, reliance on third-party data introduces inherent limitations and risks, including:

- differences in methodologies and ratings across providers.
- gaps in data coverage; and
- reliance on estimated or modelled data, which may be inaccurate or subject to revision.

6. Equity Process

Harbour uses quantitative screens in its investment process to rank investment opportunities. Harbour's ESG score is included in all Harbour Investment funds' active quantitative screens along with other fundamental and quantitative factors in the investment process. All other factors being equal, a higher ESG score results in a better overall security ranking. These rankings are categorised into deciles that are further filtered into a traffic light classification where the top three deciles are the 'green zone' and the bottom three are the 'red zone.' The ESG scores are indicative, not determinative; however, Portfolio Managers will tend to select and overweight securities in the green zone and avoid/underweight companies in the red zone.

Securities are not excluded solely based on ESG scores. High risk ESG issues within companies, or issues of concern, are discussed between analysts and portfolio managers during the selection process. Companies with poor ESG scores are engaged where appropriate, to encourage the improvement of corporate behaviour.

Harbour's ESG score

Companies are assessed by Harbour's analysts on their competence in identifying and mitigating ESG risks and opportunities. Each company in our investment universe is allocated a Harbour ESG score based on their ESG competency. ESG scores are generated via one of two processes:

1. For New Zealand Securities, Harbour's analysts complete specific proprietary and confidential company Corporate Behaviour Surveys (CBS). Company scores are cross-referenced against an external ESG research provider's ESG recommendation if available, and a final score is produced.
2. For Australian Securities, an external ESG research provider's recommendation is translated into an ESG score.

Harbour's New Zealand Corporate Behaviour Survey (CBS)

Harbour's CBS consists of close to 100 questions and is completed annually. Events such as governance lapses, environmental mismanagement or poor labour relations provide hard evidence of poor corporate behaviour.

Approximately half of the points are weighted towards governance issues, and half towards social and environmental factors. This reflects Harbour's view that governance measures are more easily discernible and measurable. Harbour believes that there is often a correlation between strong governance performance and positive environmental and social outcomes. This view is based on Harbour's experience, and is consistent with academic research, that strong governance checks and balances often lead to more rigorous oversight of company environmental and social policy, and therefore better environmental and social outcomes.

The weight of environmental and social issues in the survey has been gradually rising over time as compelling research and better-quality data emerges.

Harbour seeks to constructively engage with companies to encourage ongoing improvement in corporate behaviour. The CBS is used as a tool to initiate conversations with management and boards on corporate behaviour standards. The CBS is completed annually, or when we consider there has been a substantial change e.g. a significant controversy for a company.

Australian ESG Score

ESG scores for Australian companies are established using external research from a global ESG research provider. MSCI ESG is the current provider. MSCI's ESG Ratings provide their view of companies' management of financially relevant ESG risks and opportunities The MSCI Controversies research identifies companies with alleged involvement in controversy cases related to ESG and are scored according to the severity, company role and current status. These scores combined form Harbour's ESG score for Australian securities.

7. Fixed Interest Process

Harbour's Fixed Interest team utilises both the Harbour CBS and MSCI research, in addition to conducting its own ESG research into unlisted bond issuers. The team uses this research to identify issuer specific ESG risks and opportunities. This information is used to engage with issuers and as an input into investment decisions.

The team conducts structured, fixed interest-specific meetings to assess each issuer's management practices in the areas of ESG performance. This process leads to a three-tiered classification system where securities are either favoured, neutral or avoided in portfolios. Neutral and avoided issuers are still engaged where appropriate to promote improved behaviour.

8. External Managers

Harbour manages Australasian asset classes in-house. External managers are used for the international equity and fixed interest asset classes, more information on the external managers can be found here [link].

External managers, at a minimum, are assessed by Harbour to be aligned with two key principles:

1. Have a firm-wide commitment to improving ESG outcomes for investors. This commitment can be shown through active membership of industry groups (such as being a UN PRI signatory, Responsible Investment Association of Australasia (RIAA) or other industry leadership groups) and/or through other ESG firmwide initiatives.
2. Satisfy us during the due diligence process that they meaningfully integrate ESG into their

investment decision making process.

On an ongoing basis we also:

1. Undertake independent carbon footprint analysis of external managers to measure the carbon intensity of their portfolio relative to the benchmark.
2. Undertake Modern Slavery risk assessments and controversy monitoring to identify potential areas of concern.
3. Engage with their responsible investment team to share our views of best practice and identify areas for improvement.
4. Discuss their Stewardship (engagement and voting) activities in relation to the fund.

As noted above, this policy doesn't include the Hunter Global Fixed Interest Fund managed by PIMCO. The approach to ESG and exclusions for this fund can be found in the Hunter-Investment-Funds-SIPO and on the website Hunter Global Fixed Interest Fund: Hunter Investments.

9. Engagement

Harbour is an active owner. Where we identify concerns with respect to company strategic direction, remuneration, or other material issues, Harbour aims to work with senior management, the Board of Directors, and other investors to find a satisfactory outcome for stakeholders with a focus on strong shareholder outcomes.

More detail on Harbour's approach to engagement is provided separately in our Stewardship Policy. Examples of our engagements and their outcomes are provided in our annual stewardship summary within in our Responsible Investment Report on our website.

10. Proxy Voting

Harbour's policy is to vote on all resolutions where practicable and where operationally possible. Harbour utilises an independent third party for external proxy voting research, ISS Stoxx. Harbour analysts that cover the company will evaluate this research along with any other relevant information in coming to a voting decision.

All voting is tracked in the ISS Stoxx Proxy Exchange portal with records extracted to Harbour's SharePoint for documentation. A history of Harbour's voting for contentious resolutions such as those against management or ISS recommendations, is provided to Harbour's Investment Committee along with documented rationale to explain the decision. In addition, in those instances where Harbour does not vote in accordance with ISS Services, the reasoning is also documented.

More detail on Harbour's principles and processes in proxy voting is provided separately in our Stewardship Policy.

11. Advocacy and systemic stewardship

Harbour undertakes system-level stewardship by actively advocating for change across the New Zealand market to address key ESG challenges. Our current focus areas include climate change, electrification, and human rights, with an emphasis on supporting the efficient allocation of capital towards these themes.

We do this through cross-sector collaboration with asset owners, industry bodies, and other market participants. This includes participation in formal initiatives (through the industry bodies

noted in section 15 below) and targeted collaborations. Our advocacy is focused on engaging with policymakers and regulators, as well as encouraging portfolio companies to reduce practices that contribute to economy-wide risks. All collaborative engagements consider relevant requirements under New Zealand competition law.

12. Data

Where Harbour utilises external ESG data providers for services such as exclusions screening, ESG scores and emissions data we note that there may be gaps in coverage due to a variety of factors. These can include small or newly listed companies that are not under the coverage of the external provider and for cases where there are data gaps, Harbour will exercise its best judgement to determine an appropriate proxy score or ethical involvement that would contravene our exclusions policy. This is based on Harbour analysts' extensive experience researching companies under coverage and we note in practice that data gaps tend to be minor across portfolios and are improving over time.

Where Harbour deems that data coverage is not sufficient to provide an accurate representation, we will refrain from reporting this data.

13. Reporting

Harbour communicates our ESG activities with our clients on a regular basis. Reporting is undertaken via the following mechanisms.

Investment Management Agreement (mandate) clients.

Reporting is provided on a monthly or quarterly basis and includes climate and other ESG metrics as agreed with our mandate clients.

Stewardship reports are provided quarterly which detail our engagements and proxy voting over the period including aggregate statistics and key voting rationales. In addition, any conferences, presentations and industry involvement relating to ESG are included in the reports.

Harbour and Hunter Investment Funds updates

Climate change metrics are incorporated in monthly fund reports across asset classes and cover the portfolio's carbon footprint and/or weighted average carbon intensity. These metrics are chosen to show emissions exposure normalised for capital invested and the revenue of the underlying companies.

Additional portfolio level ESG metrics relating to climate change, diversity, modern slavery, and governance are included in equity fund reports monthly to show disclosure rates and performance across key indicators among investee companies.

Newsletters and annual updates to BNZ Schemes

Updates to ESG Policy, progress versus targets and Responsible Investment themes are provided via newsletters and annual updates.

Annual Reporting and Research

A summary of our annual stewardship and ESG related activities is provided in the Responsible Investment reports on our website to show the outcomes of our active ownership and our progress over each year on our responsible investing objectives.

Other ESG information such as public policy submissions, research articles and fund level implementation can also be found on the Harbour website and/or investor documents.

14. Industry membership

UN PRI

Harbour became a signatory of the PRI in 2010, and we have submitted our investment process on an annual basis for assessment of our ESG integration strategy since 2014.

As a signatory to the PRI, we have committed to adopt and implement the following principles:

1. We will **incorporate** ESG issues into our investment analysis and decision-making processes
2. We will be **active** owners and **incorporate** ESG issues into our ownership policies and practices
3. We will seek appropriate **disclosure** on ESG issues by the entities in which we invest
4. We will provide acceptance and implementation of the principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the principles
6. We will **report** on our activities and progress towards implementing the principles

Our PRI transparency report is available for download from our website.

Harbour is also a member of RIAA and a founding signatory of Aotearoa New Zealand Stewardship Code in order to support the goals of these organisations of seeing more capital being invested responsibly for a healthier economy, society and environment.

Please note that membership and/or signatory status do not necessarily constitute product certification or endorsement. However, Harbour does have RIAA certified products which are reviewed every two years.

Corporate Governance Forum

Harbour is a founding member of the New Zealand Corporate Governance Forum; an institutional investor group focused on increasing the standard of corporate governance in the New Zealand markets.

To find out more about the PRI, RIAA, Aotearoa New Zealand Stewardship Code and the NZ Corporate Governance Forum, please visit their websites at www.unpri.org, www.responsibleinvestment.org, www.stewardshipcode.nz and www.nzcgf.org.nz.

15. Review of policy

The information provided has been prepared from sources believed to be accurate and complete as at the date of issue, but such information may be subject to change. This Policy will be reviewed annually or more frequently if required, and as such, this Policy is subject to change at any time.

Appendix One – Fund specific exclusions and descriptions

The table below describes the specific exclusions for all funds covered by this policy (Harbour Investment funds, Hunter Investment funds, BNZ KiwiSaver, YouWealth and PWS). Please see Appendix Two for additional information on the exclusions for the Harbour Sustainable NZ Shares Fund and the Hunter Diversified Private Credit Fund.

Exclusion - see full description in table below	Tobacco and vaping		Controversial weapons	Civilian weapons	Adult Entertainment		Whaling	Recreational cannabis		Fossil fuels	Gambling
	Production	Distribution			Production	Distribution		Prod/ Dist	Services		
Single sector Funds											
Harbour NZ Core Fixed Interest Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour NZ Corporate Bond Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour Long Short Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour NZ Index Shares Fund	○	○	○	○	○	○	○	○	○	○	○
Harbour Sustainable NZ Shares Fund*	●	◕	●	●	●	◕	○	●	◕	◕	●
Harbour Real Estate Investment Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour Australasian Equity Income Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour Australasian Equity Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour Australasian Equity Focus Fund	●	○	●	●	●	○	○	●	◕	○	○
Diversified Funds											
Harbour Enhanced Cash Fund	●	○	●	●	●	○	○	●	◕	○	○
Harbour Income Fund	●	◕	●	●	●	◑	◑	●	◕	◕	◕
Harbour Balanced Fund	●	◕	●	●	●	◑	◑	●	◕	◕	◕
Harbour Balanced Growth Fund	●	◕	●	●	●	◑	◑	●	◕	◕	◕
Harbour Growth Fund	●	◕	●	●	●	◑	◑	●	◕	◕	◕
BNZ Schemes (applies to all funds in each scheme) #											
BNZ KiwiSaver Scheme[2]	●	◕	●	●	●	◕	●	●	◕	◕	◕
Private Wealth Series	●	◕	●	●	●	◕	●	●	◕	◕	◕
YouWealth	●	◕	●	●	●	◕	●	●	◕	◕	◕

[2] Please note that the BNZ KiwiSaver Default fund will not invest directly or indirectly (including through investment in exchange-traded funds or a third-party managed fund), in any sectors or securities noted as exclusions in this table.

+These funds may have an allocation to private equity and exclusions do not apply – please see Exclusions – Scope section above.

Exclusion - see full description in table below	Tobacco and vaping		Controversial weapons	Civilian weapons	Adult Entertainment		Whaling	Recreational cannabis		Fossil fuels	Gambling
	Production	Distribution			Production	Distribution		Prod / Dist	Services		
Global Funds											
Harbour T. Rowe Price Global Equity Fund	●	◕	●	●	●	◕	●	●	◕	◕	◕
Harbour T. Rowe Price Global Equity Fund (Hedged)	●	◕	●	●	●	◕	●	●	◕	◕	◕
Epoch Global Quality Select Equity Fund	●	◕	●	●	●	◕	●	●	◕	◕	◕
Epoch Global Quality Select Equity (Hedged) Fund	●	◕	●	●	●	◕	●	●	◕	◕	◕
Harbour Active Multi-Manager Global Equity Fund	●	◕	●	●	●	◕	●	●	◕	◕	◕
Harbour Active Multi-Manager Global Equity Fund (Hedged)	●	◕	●	●	●	◕	●	●	◕	◕	◕
Wholesale Schemes (applies to all funds in the scheme) #											
Harbour Asset Management Unit Trusts	●	○	●	●	●	○	○	●	◕	○	○
Harbour Wholesale Series	●	◕	●	●	●	◕	●	●	◕	◕	◕
Hunter Investment Funds											
Hunter Private Credit Fund	●	○	●	●	●	○	○	●	◕	○	○
Hunter Diversified Private Credit Fund*	●	○	●	●	●	○	○	●	●	○	●

* More information on the exclusions for these funds can be found in Appendix Two.

A full list of all funds within the scheme can be found here [link]

Key	
Exclusions in place	●
Exclusions with revenue threshold	◕
Exclusions in place but not on all underlying funds	◑
No specific exclusions in place	○

Fund specific exclusions descriptions

The table below describes the specific exclusions for the Harbour and Hunter funds. Please see Appendix Two for additional information on the exclusions for the Harbour Sustainable NZ Shares Fund and the Hunter Diversified Private Credit Fund.

Sector heading	Description	Revenue threshold
Tobacco and vaping	Companies that are involved in the manufacture/production of Tobacco, and tobacco-based products, this includes vaping products.	Nil
	Companies involved in the wholesaling and retailing of Tobacco, and tobacco-based products, this includes vaping products.	10%
Controversial weapons	Companies with any exposure (production, distribution or services) to controversial weapons (nuclear explosive devices, chemical or biological weapons, cluster munitions, anti-personnel mines).	Nil
Civilian weapons	Companies involved with the production, distribution or services of civilian automatic and semi-automatic firearms, magazines or parts or other assault weapons.	Nil
Adult entertainment	Companies involved in the production of pornography, including X-rated films, sexually explicit video games, adults-only material on the internet, adults-only live entertainment, and books or magazines with adult content.	Nil

Sector heading	Description	Revenue threshold
	Companies involved in the distribution of pornography, including X-rated films, sexually explicit video games, adults-only material on the internet, adults-only live entertainment, and books or magazines with adult content.	10%
Whaling	Companies that are involved in hunting whales for commercial purposes, or the processing of whale meat.	Nil
Recreational cannabis	Companies involved in the production or distribution of recreational cannabis. Companies providing services to the recreational cannabis industry.	Nil 10%
Fossil fuels	Companies that have their primary business activities in the following fossil fuel industry classification subsectors: • Integrated Oil and Gas, • Oil: Crude Producers, • Offshore Drilling and Other Services, • Oil Equipment and Services and Coal.	Nil
	Companies that have their primary business activities in the following fossil fuel global industry classification (GICS) sectors: • Oil and Gas Drilling • Oil and Gas Equipment Services • Integrated Oil and Gas, Oil and Gas Exploration and Production • Coal and Consumable Fuels.	Nil
Fossil fuels	Companies that own proved or probable reserves in coal, oil, or gas and derive at least 15% of their revenue from exploration and extraction of coal (applies only to thermal coal), oil, or gas.	15%

Sector heading	Description	Revenue threshold
Gambling	Companies that are involved in owning and/or operating gambling establishments (including online gambling). It also includes lottery operations and sporting events that permit wagering.	10%
	Companies that are involved in manufacturing or importing specialised equipment used exclusively for gambling; and/or supporting products and services supplied to gambling operations.	10%

Appendix Two – Other Information

Harbour Sustainable NZ Shares Fund

In addition to the exclusions in the table above the following criteria apply to the Sustainable NZ Share Fund.

Large carbon emitter threshold:

Total emissions (scope 1, 2 and 3[2]) exceeding 2.0 m tonnes CO2-e per annum.

This measure provides comparability between companies involved in different industries that emit in different ways. The threshold captures the largest absolute emitters in the investment scope. Where companies materially reduce their emissions below the level, for two consecutive years driven by genuine decarbonisation progress[3], they will qualify for inclusion in the portfolio. Conversely, companies that let their emissions rise past the threshold for two consecutive years would subsequently be excluded.

This threshold will be adjusted down each year in accordance with a 1.5^{o}C science aligned pathway using a linear absolute contraction method.

Human rights and child labour:

Investments are screened for compliance with the UN Global Compact standards, UN Guiding Principles for Business and Human Rights and the International Labour Organisation's standards for human rights and child labour. A 'fail' assessment is made where a company is implicated in one or more severe controversy cases under these frameworks that are either ongoing or concluded within the last three years.

Poor ESG conduct:

In addition, Harbour may exclude corporate or sovereign issuers that exhibit poor conduct through a substantial environmental, social, ethical or governance breach where adequate steps are not taken to address the issue. This is to be determined by Harbour's judgement, which may be informed by controversy screens and global frameworks such as the UN Global Compact principles and UN Guiding Principles for Business and Human Rights.

Sector specific exclusions:

0% revenue exposure threshold on manufacture/production of:

- Tobacco, nicotine alternatives and tobacco-based products
- Controversial weapons (nuclear explosive devices, chemical or biological weapons, cluster munitions, anti-personnel mines)
- Military weapons and equipment used for combat purposes[4]
- Civilian automatic and semi-automatic firearms, magazines or parts
- Pornography
- Recreational cannabis
- Alcohol
- Gambling services
- Animal testing – non-pharmaceutical
- Animal welfare – factory farming

2 Scope 3 emissions include categories 1-14 depending on each company's defined reporting boundary according to the GHG Protocol. This threshold does not include category 15 (investments) of scope 3 emissions accounting.

3 Excludes extraordinary circumstances such as exogenous shocks (e.g. global pandemic or outlier years of renewable energy availability) or carbon accounting methodology changes.

4 As defined by our external data provider ISS ESG which includes barrel weapons, explosives, missiles, bombs, combat vehicles and associated apparatus and gear.

5% revenue threshold on:

- Companies that derive revenue from the extraction of thermal coal

10% revenue exposure threshold on:

- Sales of tobacco, nicotine alternatives and tobacco-based products
- Sale of pornography
- Sale of alcohol
- Companies that derive revenue from the production of palm oil

25% revenue threshold on:

- Companies that derive revenue from the generation of electricity from thermal coal.

Hunter Diversified Private Credit Fund

Specific exclusions:

This Fund excludes direct lending to companies involved in activities covered by Harbour's baseline exclusions and any exclusions outlined in the Active Investor Plus eligibility criteria. At the date of this Policy the Active Investor Plus exclusions are anything which may prejudice New Zealand's reputation.

Businesses with any exposure to the following activities are excluded:

- Relate to the manufacturing of tobacco or other nicotine-based products.
- Relate to gambling, casinos and equivalent enterprises.
- Relate to adult entertainment.
- Relate to the manufacture or sale of recreational cannabis
- Relate to the manufacturing of weapons, including.
    - Military weapons[5].
    - Controversial weapons (cluster munitions, landmines, biological and chemical weapons, nuclear weapons and depleted uranium).
    - Civilian firearms.
- Involve the use of child labour, forced or compulsory labour, or other human right abuses[6].
- Promote any form of discrimination based on race, culture, gender, sexual orientation, or other prohibited grounds.
- Are illegal in the country in which the good or service is used or intended to be used; or
- Are likely to have a materially adverse impact on the climate or environment.

5 As defined by our external data provider ISS ESG which includes barrel weapons, explosives, missiles, bombs, combat vehicles and associated apparatus and gear

6 Investments are screened for compliance with the UN Global Compact standards, UN Guiding Principles for Business and Human Rights and the International Labour Organisation's standards for human rights and child labour. A 'fail' assessment is made where a company is implicated in one or more severe controversy cases under these frameworks that are either ongoing or concluded within the last three years.

Appendix Three – Harbour's Transition Plan – Medium Term Strategy to 2030

Medium-term strategy to 2030



Climate solutions

Allocate 5% of internal active FUM to climate solutions which include:

- Investment in private asset classes to support investment in emerging technologies and infrastructure.
- Green bonds including sovereign/supranational green bond programs.
- Equity investments driven by exposure to new technology or renewable energy.



Invest in the transition

Ensure 50% of high-emitting holdings (>2.2 mtCO2 reducing annually) in the portfolio align or aligning with a net zero pathway. Engage with these companies to understand:

- Alignment to net zero reduction pathways and progress on emissions reductions.
- Governance and management of climate change risks and opportunities.
- Climate change disclosures.



Building resilience

Prioritise in depth risk review of funds with CvaR greater than 10%

- Strategic review of benchmarks and indices, consider acceptance of more tracking error.
- Develop climate risk assessment and tracking capability.
- Increased portfolio monitoring and analysis through data automation and AI.