



RESPONSIBLE INVESTMENT REPORT

2024-2025

Published November 2025

CONTENTS

1	Message from the Co-CEOs
2	Our Responsible Investment Team
3	Our approach to responsible investing
5	Spotlight: Human Rights Framework
7	How does Harbour address Climate Change?
9	2025 Responsible investing update
10	A timeline of ESG Investing at Harbour
12	2024 - 2025 ESG Investing Developments
15	Harbour Funds in 2025
16	Climate and ESG Reporting
18	Impact Investing
22	Stewardship report



MESSAGE FROM THE CO-CEOs

Welcome to Harbour's 2025 Responsible Investment Report.

This is Harbour's third report sharing our Environmental, Social and Governance (ESG) investment process and approach to responsible investment. This report replaces our Sustainability Report, and covers the period 1 January 2024 to 31 March 2025. It also includes our Stewardship Report across all portfolios.

We hope you find these insights useful as we bring to life the roadmap we envisaged as a founding signatory to the Aotearoa New Zealand Stewardship Code in 2022.

In 2025, Harbour continued to focus on delivering strong outcomes for our clients by actively engaging with companies to support long-term improvements in corporate behaviour and ESG practices. We believe that meaningful engagement helps build a more complete picture of sustainability performance, which in turn can lead to better investment decisions and outcomes for our clients.

This work is increasingly supported by evolving regulation and growing investor demand for ESG-aligned investments. Companies are responding, and despite the polarising debate around ESG in the US, global ESG fund flows remain resilient. In 2025, global ESG funds reached \$3.7 trillion (source: Morningstar), even amid ongoing geopolitical tensions, recessionary pressures, and economic uncertainty.

In New Zealand, responsible investment continues to gain momentum. Funds under responsible investment reached NZ\$207 billion (source: Responsible Investment Association Australasia (RIAA¹)).

At Harbour we have continued to measure and report carbon metrics for our fixed interest and equity portfolios. This voluntary disclosure reflects our commitment to transparency and was provided alongside the mandatory climate-related disclosures (CRD) required in 2024 and 2025. While the mandatory regime has since been scaled back, Harbour remains committed to reporting on carbon intensity, as part of our broader responsible investment approach.

**MANAAKI WHENUA,
MANAAKI TANGATA,
HAERE WHAKAMUA.**

**CARE FOR THE LAND,
CARE FOR THE PEOPLE,
GO FORWARD.**

We have introduced a human rights framework this year to integrate human rights considerations across our investment funds. Using international standards, we seek to assess and manage risks including modern slavery and labour exploitation through internal analysis, external data and portfolio monitoring tools. Engagement is prioritised based on severity and materiality, with oversight maintained across both internally and externally managed portfolios.

We remain focused on delivering the best outcomes for our clients. It's encouraging to continue to be recognised for our responsible investing approach, being named a Responsible Investment Leader again in 2024 by RIAA, and successfully re-certifying our Sustainable NZ Shares, Australasian Equity and Australasian Equity Focus Funds through RIAA. We were also highly commended in the Best Ethical Investor category at the 2025 Mindful Money Awards.

We hope this report gives you greater insight into the way Harbour operates - both with its clients and companies - and will continue on this journey with us towards a sustainable future.

Ngā mihi nui

Andrew Bascand and Chris Wilson
Co-CEOs - Harbour Asset Management



¹ Responsible Investment Benchmark Report Aotearoa New Zealand 2024

OUR RESPONSIBLE INVESTMENT TEAM



Sue Walker

- Senior Manager, Responsible Investing

Sue specialises in responsible investing and ESG analysis, including the overseeing the Harbour ESG programme. Sue's background is in financial markets, sustainable finance and ESG investing. She worked with the Aotearoa Circle on the Sustainable Finance Roadmap and the development of New Zealand's Stewardship Code.



Jorge Waayman

- Manager, ESG Research

Jorge manages Harbour's environmental, social, governance (ESG) programme including research and implementation. This involves coordinating the approach to exclusions, stewardship, and the integration of ESG factors into the investment process.

2024-2025 HIGHLIGHTS



Highly commended in the Best Ethical Investor category at the 2025 Mindful Money Awards.



115 carbon credits for solar water filtration units for rural areas in coastal Bangladesh*.



Developed the Harbour Human Rights framework.

*Carbon credits were purchased and retired to support climate action beyond our value chain



Wanaka, New Zealand

OUR APPROACH TO RESPONSIBLE INVESTING

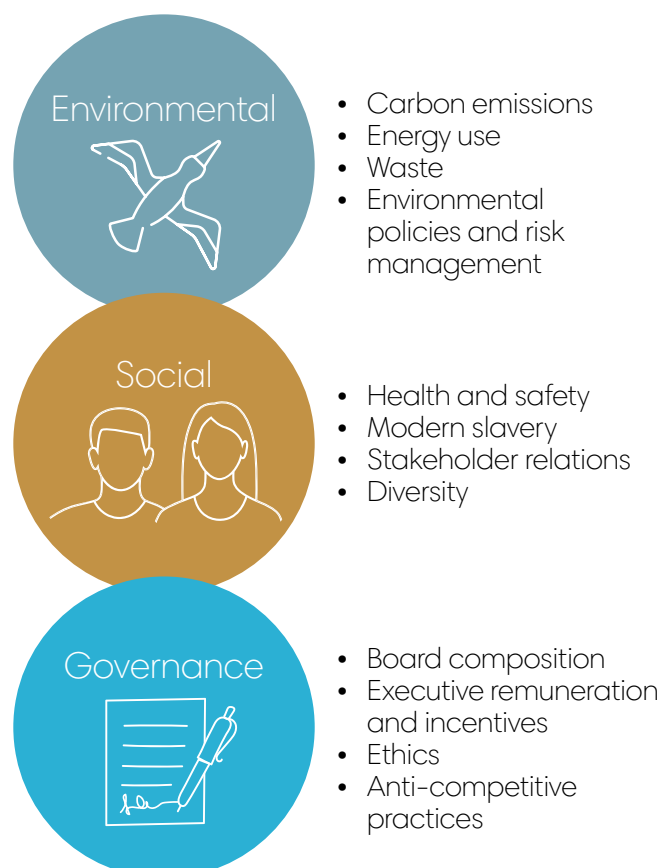
Environmental, Social and Governance (ESG) considerations play a central role in Harbour's investment philosophy and process. We believe that companies that manage ESG considerations well are more likely to create shareholder value, with a reduced risk profile, compared to those who do not.

We are a market leader for integrating ESG research into our investment process, using a combination of in-house research and external ESG rating providers to get a balanced view of sustainability performance. Our choice of ESG providers is reviewed on a regular basis to ensure consistency with our overarching responsible investing philosophy and whether they are best meeting our business' and clients' needs given the rapidly evolving nature of the industry.

Our New Zealand Corporate Behaviour Survey has been running since Harbour's inception in 2009. It measures and evaluates ESG matters and has proven to be a useful tool in addressing issues relating to climate change, diversity, inequality and wellness within companies we engage with.

This integrative approach helps our analysts and portfolio managers develop an understanding of each company, and influences not only whether we invest in companies, but also how much. It helps us to unearth companies which may be great opportunities for long term growth, identify companies with potentially hidden risks and use our influence to encourage better corporate behaviour in relation to ESG issues. Our Corporate Behaviour Survey (CBS) consists of over 90 questions and is completed annually.

Our annual Corporate Behaviour Survey researches how companies rate on issues like:



Base exclusions

In all internally managed Harbour funds (aside from the passive NZ Index Shares Fund), we screen for a base level of exclusions, for industries or sectors which we believe cause significant societal or environmental harm.

In 2025 we did not invest in companies that, to our knowledge, derived any revenue from the:

- 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
- The production of pornography
- The manufacture or sale of civilian automatic and semi-automatic firearms, magazines or parts

Harbour utilises an external ESG provider (currently ISS ESG) to provide screening services to ensure active monitoring and compliance of these exclusions. These services allow us to distinguish between the type and extent of business involvement i.e. manufacturing vs. distribution and sales, and determine the revenue exposure. In addition, the excluded list of securities is coded into our compliance system as restricted securities for an extra layer of robustness, thereby preventing their inclusion.



SPOTLIGHT: HUMAN RIGHTS FRAMEWORK

We have introduced a human rights framework to integrate human rights considerations across our investment funds. Using international standards such as the UN Guiding Principles on Business and Human Rights and OECD norms, we identify and manage human rights risks – including modern slavery, labour exploitation, and human rights controversies – through both internal analysis and external data sources. Our Corporate Behaviour Survey (CBS) assesses companies' policies, practices, and performance on human rights, with a particular focus on supply chain transparency, remediation processes, and governance structures.

Engagement with companies would be prioritised based on the severity and materiality of human rights risks. We consider both inherent risk exposure and the effectiveness of a company's risk management, favouring constructive engagement over divestment where possible. For externally managed portfolios, we monitor and maintain oversight through regular engagement with external managers.

We monitor all our portfolios using tools including the ISS ESG Modern Slavery Scorecard and media alerts prioritising companies exposed to high human rights risks that do not have strong governance of human rights in their supply chains in place.

The ISS ESG Modern Slavery Scorecard involves a Risk Assessment that assigns a rating of High, Medium or Low Risk to each of the elements, which then forms an overall modern slavery risk rating for the company. The Disclosure and Performance assessment assigns a rating of Laggard, Medium Performer, Outperformer or Leader to the company. The controversies are assessed using a Red, Amber or Green flag.

Using these ratings, we identify those companies that are the most vulnerable to modern slavery risks, are the lowest performers and have the most severe controversy scores for further investigation and action. While each company's case is unique, Table 1 – Modern Slavery Assessment Card below provides a guide for actions taken within each rating.

Modern Slavery Assessment

		Laggard	Medium Performer	Outperformer	Leader
High Risk	Red	Investigate, escalate and report	Investigate, escalate and report	Investigate, escalate and report	Investigate, escalate and report
	Amber	Investigate, escalate and report	Investigate, escalate and report	Investigate and determine if action required	Investigate and determine if action required
	Green	Investigate and determine if action required	Investigate and determine if action required	No action – continue to monitor	No action – continue to monitor
Medium Risk	Red	Investigate, escalate and report	Investigate, escalate and report	Investigate, escalate and report	Investigate, escalate and report
	Amber	Investigate and determine if action required	Investigate and determine if action required	No action – continue to monitor	No action – continue to monitor
	Green	No action – continue to monitor	No action – continue to monitor	No action – continue to monitor	No action – continue to monitor
Low Risk	Red	Investigate and determine if action required	Investigate and determine if action required	Investigate and determine if action required	Investigate and determine if action required
	Amber	Investigate and determine if action required	Investigate and determine if action required	No action – continue to monitor	No action – continue to monitor
	Green	No action – continue to monitor	No action – continue to monitor	No action – continue to monitor	No action – continue to monitor

While divestment is a last resort, any severe cases where there is no avenue for constructive engagement are escalated to the Harbour's Exclusions Committee for approval. Decisions are reported to the Harbour Investment committee.

New Zealand and the 1.5°C pathway

The 1.5°C target is a key global benchmark to limit warming and avoid the worst climate impacts. The 2015 Paris Agreement set a goal to stay below 2°C and to pursue efforts to limit the increase to 1.5°C. Scientific evidence shows the world has already crossed the 1.5°C threshold. New Zealand has committed to updated climate targets, though alignment with the 1.5°C pathway remains a challenge.

HOW DOES HARBOUR ADDRESS CLIMATE CHANGE?

Climate change represents a significant existential threat that has wide ranging impacts across several sectors in the global economy. Our research programme has long accounted for climate change impacts affecting companies in our investment universe, but there have also been challenges – particularly the availability of reliable emissions data and general climate disclosure from listed corporates in our domestic markets.

Harbour has detailed how we address climate change across our investments in our Climate Related Disclosures reports. These reports are aligned with the regulatory standards developed by the External Reporting Board (CS 1 – 3) and cover information from governance, strategy and risk management to metrics and targets with respect to climate change.

A snapshot of key climate related impacts affecting Harbour funds and our transition plan is provided below. Please refer to our [Climate Related Disclosure](#) reports for more detail. The CRD reporting period covers the year to 30 June 2025.

Current Impacts

Harbour has identified the following examples of climate impacts that have affected companies held in the Funds that comprise this Scheme over the reporting period. At the fund level, these impacts are reflected in the changing market value of our investments in each company affected, which flows through to the overall return delivered to investors. The attribution of these impacts is difficult to quantify, given the many other non-climate-related impacts that the companies would face over the period. Therefore, for the financial impact values provided, these are based on total returns at the company level which are re-weighted and aggregated at the Scheme level to calculate the total contribution to return.

EVENT	EVENT TYPE	GEOGRAPHY	DESCRIPTION	FINANCIAL IMPACT
Weather variability	Physical – acute	New Zealand	<p>The year was characterised by extreme fluctuations in rainfall patterns, with severe dry periods in winter 2024 and early 2025 that reduced hydrolake levels and generation capacity. This forced increased reliance on expensive thermal generation (coal and diesel) due to constrained gas supply, driving wholesale electricity prices higher. Overall, the hydrology volatility led to a reduction in hydro generation, impacting energy margins, while also heightening market volatility and pricing uncertainty across the electricity sector.</p> <p>There was also variability in wind conditions throughout the period, with reduced wind generation at the same time as the hydro shortage, exacerbating the problem.</p> <p>We assessed the overall (i.e. not specific to climate impacts) performance of local power generation companies across the Scheme and found that only two of them delivered a negative return over the prior 12-month period. However, this was offset at the scheme level by the other companies with greater contributions to performance.</p>	0.196%

EVENT	EVENT TYPE	GEOGRAPHY	DESCRIPTION	FINANCIAL IMPACT
Cyclone Alfred insurance losses	Physical – acute	Australia	<p>Cyclone Alfred brought strong winds, rain and flooding to south-east Queensland and northern NSW in February-March 2025 and resulted in over \$1.2 billion in insured losses from 116,000+ claims, making it one of the more significant weather events for ASX insurers in recent years. The major insurance companies were well-prepared with comprehensive reinsurance protection, and while their stock prices initially fell on cyclone concerns, the impact appears manageable given their risk management frameworks.</p> <p>We assessed the overall performance of a group of these ASX listed insurance companies held in funds across the Scheme and found that only one of them delivered a negative return over the period. However, the overall impact to the Scheme was close to zero.</p>	-0.006%
Climate regulation and reporting	Transition – policy	Global	<p>In 2024 we saw the introduction of mandatory climate reporting for the European Union and Türkiye and for certain companies in Switzerland. Mandatory climate reporting for Australia started on 1 January 2025 for some entities and is being rolled out over the next two years. Certain Chinese companies are also expected to report in 2026. The only estimation of compliance costs is from New Zealand NZX listed companies which was between NZD 250,000 to 300,000¹. As more countries implement mandatory climate reporting, we expect better emissions data and a focus from investment managers on companies' transition plans.</p>	N/A
Global supply chain pressure	Transition – policy	Global	<p>The tariffs announced by the Trump administration on 2 April 2025 had a significant impact on share markets given the trade related cost implications. A sizeable portion of the rare earths, inputs to solar panels, batteries, wind turbines, and electric vehicles are from China which received much higher tariffs than other countries. The expected inflationary impacts from tariffs were not evident in 2024, however, this did appear to have led to stockpiling, resulting in little change in shipping revenues or a reduction in trade. What was evident was a pause in capital investment in large projects due to the uncertainty.</p> <p>We assessed a number of companies in the renewable energy and technology sectors held in the Scheme with trade related impacts in their supply chains. We found that only one of the companies assessed had an overall negative performance over the 12 months. However, at the Scheme level this was more than offset by positive contributions from the other companies assessed.</p>	0.803%
ESG Backlash	Transition – policy	Global	<p>In 2024, we saw a growing ESG backlash, predominantly driven by developments in some US states. We saw a number of banks and investment managers withdrawing from net zero alliances and some corporates walking back near term or net zero targets. Expectations that the Trump administration would remove a number if not all the Inflation Reduction Act tax credits and the subsequent changes made in May 2025 saw a reduction in share prices for companies associated with the energy transition.</p> <p>We assessed the overall performance of companies who withdrew from net zero commitments or alliances across funds in the Scheme. No companies in this group had a negative performance over the prior 12 months and the overall impact was a small positive increase in performance.</p>	0.439%

Source: Harbour, Bloomberg

Overall, this analysis of the financial impacts of these events indicates that the short-term effects were limited although it does not account for long term risk considerations and should therefore be interpreted with caution.

Transition Plan

Harbour has developed a transition plan over the period that is summarised in the diagram below. It is based on three pillars: climate solutions, investing in the transition and building resilience, given these are the aspects where we believe we can play a role as fund managers in responding to climate risks and opportunities which arise in the energy transition. It is a holistic strategic framework that applies across the scheme on a medium-term horizon, encompassing multiple asset classes and levers we have as investors to best adapt to the transition to a low carbon economy. 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, with the 'building resilience' pillar being more relevant under a high global temperature scenario for example.

Medium-term strategy to 2030



Climate solutions

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

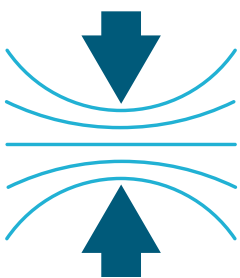
- Investment in private asset classes to support investment in emerging technologies and infrastructure.
- Green bonds including sovereign / supranational green bond programs.
- Equity investments driven by exposure to new technology or renewable energy.



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.

This plan leans on measurement frameworks and models such as the Net Zero Investment Framework and Climate Value at Risk to assess how funds across the scheme are tracking against each objective. Further information on the data baselines and progress according to the plan will be provided in future reporting periods.

A TIMELINE OF ESG INVESTING AT HARBOUR

Harbour founded,
Corporate
Behaviour Survey
tool developed

2009

ESG analyst
hired

2014

Became
member
of RIAA

2018

Internship, Intern
undertook EV
research project

2020

Full time ESG
manager
resource
allocated

2020

JUNE

Harbour awarded the Best
Ethical Investment Provider
at the inaugural Mindful
Money Awards

2021

2010

Became UNPRI and
CDP signatories
and member of
the NZ Corporate
Governance Forum

2017

ESG Policy
published

2019

Internship,
Intern undertook
carbon research
project

2020

DECEMBER
Harbour
Australasian
Equity Fund
becomes RIAA
certified

2021

APRIL
Sustainable NZ
Shares Fund
launched

2021

JUNE
Harbour
Australasian
Equity Fund
endorsed as
Mindful Fund

NOVEMBER

Harbour Sustainable
NZ Shares Fund
and Harbour
Australasian Equity
Focus Fund become
RIAA certified

2021

FEBRUARY

Harbour Sustainable
NZ Shares Fund and
Harbour Australasian
Equity Focus Fund
endorsed as
Mindful Funds

2022

SEPTEMBER

Became a
founding signatory
to the Aotearoa
New Zealand
Stewardship Code

2022

NOVEMBER

Harbour awarded
the Responsible
Investment Manager
of the Year at the
ResearchIP Awards

2022

MAY

Combined
businesses to create
FirstCape, and
Harbour Responsible
Investment team
formed

2024

2021

SEPTEMBER

Became a member of the
Centre for Sustainable
Finance Investment
Implementation Group

2021

DECEMBER

Sustainable
Impact Fund
launched

2022

JUNE

First annual
Sustainability
Report
published

2022

OCTOBER

First annual
Impact Fund
Report
published

2023

MAY

Responsible
Investment
Forum held

2025

MAY

Second
Responsible
Investment
Forum held

AWARDS, CERTIFICATIONS & RECOGNITION

We are proud to have won a number of sector awards and finalist titles over time. Harbour's fundamental goal is to be most trusted by our clients, and awards and reviews from independent organisations such as Mindful Money help to validate this.



MINDFUL MONEY AWARDS

Highly Commended: Best Ethical Investor at the 2025 Mindful Money Awards



Responsible Investment Association Australasia recognition and certification

Harbour was recognised as a Responsible Investment Leader again in 2024 by RIAA. This acknowledges our commitment to responsible investing, our explicit consideration of environmental, social and governance factors in investment decision-making, our strong and collaborative stewardship, and our transparency in reporting activity, including the societal and environmental outcomes being achieved.



The Harbour Australasian Equity Fund, Harbour Australasian Equity Focus Fund and Harbour Sustainable NZ Shares Fund have been certified by RIAA, according to the strict operational and disclosure practices required under the Responsible Investment Certification Programme. The Certification Symbol signifies that an investment product or service has implemented an investment style and process that takes into account environmental, social, governance or ethical considerations.



CERTIFIED BY RIAA

The Responsible Investment Certification Programme does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. For more information see www.responsibleinvestment.org/.

Aotearoa New Zealand Stewardship Code – Founding Signatory

The inaugural Aotearoa NZ Stewardship Code was developed during 2022 as a key framework to guide investor behaviour on engagement and voting practices. Harbour played an integral role in the formation of the Code, being the only asset manager representative on the steering committee of this industry-led initiative. Harbour became a founding signatory to the Code to demonstrate our commitment to stewardship and has been actively involved in promoting the Code for further adoption amongst the investment community.



STEWARDSHIP CODE
AOTEAROA NEW ZEALAND

2024-2025 ESG INVESTING DEVELOPMENTS

Global

Environmental, Social and Governance (ESG) investing has faced significant headwinds over the past 18 months, with a noticeable retreat among US-listed companies from ESG policies, teams, and goals. This pullback has been driven by a mix of political backlash, regulatory uncertainty, and shifting economic priorities, particularly following the US presidential election last year.

Investors have responded to this anti-ESG movement with net outflows from an iShares ETF for example, that tracks US companies that have positive ESG characteristics. This is reflected globally as well at least in terms of flows into a headline clean energy (ICLN) index which has also seen a steady fall lately. The trend of US outflows has been happening for quite some time now, but Europe, the region leading in total sustainable assets, has been bucking that trend with positive flows right up until the first quarter this year where we've seen net outflows for the first time. This is a concerning sign, but context is important and in the grand scheme of things, it is still an insignificant value of outflows (only \$1.2bn) compared to the total sustainable funds under management (over \$2.7tn) across the region.

Regarding specific ESG themes, climate change remained in focus from a standard setting perspective with the new International Financial Reporting Standards (IFRS) climate standard becoming increasingly adopted by countries around the world, marking a major global baseline for climate reporting. European reporting requirements which already have a high degree of alignment under the Corporate Sustainability Reporting Directive (CSRD) now apply for the first set of companies over the 2024 financial period, however proposed simplifications emerged in early 2025 to help reduce the burden for smaller companies.

The conflicts in Ukraine and the Middle East have led to tragic, adverse humanitarian outcomes which emphasise the importance of establishing ethical investing policies that avoid funding the controversial weapons that are used against civilians. The ongoing conflicts highlighted the tension between ESG principles that typically screen out armaments companies and the recognition that defence capabilities can serve legitimate protective and humanitarian purposes. Many institutional investors,

particularly in Europe and NATO-aligned nations, began differentiating between defensive systems and offensive weapons, with some permitting investments in companies supplying defensive equipment to democratic nations while maintaining restrictions on those involved in controversial weapons like cluster munitions or autonomous lethal systems. This period marked a significant evolution from binary exclusion policies toward more contextual approaches that evaluated defence investments based on end-use, customer base, and alignment with international humanitarian law.

The artificial intelligence (AI) theme underwent significant development from an ESG perspective over 2024 with governance frameworks starting to catch up with technological deployment. The world's first comprehensive AI regulatory framework known as the EU AI Act came into force, with explicit requirements for high-risk AI systems and mandatory impact assessments. Energy consumption emerged as a critical environmental concern as data centre expansion for AI workloads drove significant increases in corporate Scope 2 emissions, with hyperscalers like Microsoft and Google reporting challenges meeting their net-zero commitments due to AI-related energy demands. The social dimension gained urgency through workforce displacement concerns, prompting major corporations to establish reskilling programs and AI transition funds, while algorithmic bias incidents in hiring, lending, and healthcare applications intensified calls for mandatory bias audits and transparency requirements. Board-level AI oversight became standard practice among Fortune 500 companies, with many establishing dedicated AI ethics committees and appointing Chief AI Officers with direct board reporting lines. By year-end, the convergence of regulatory pressure, stakeholder activism, and competitive dynamics had effectively mainstreamed responsible AI as a core ESG issue, with companies increasingly required to demonstrate not just AI innovation but also robust governance of AI-related risks across environmental impacts, social implications, and ethical deployment.



New Zealand

On the domestic front, the annual benchmark report from the Responsible Investment Association of Australasia (RIAA) showed that funds under responsible investment management rose to NZ\$207 billion² in the year. This growth has been attributed to our strengthened regulation and growing recognition of the financial importance of ESG factors – bucking the negative trend observed in the US.

In terms of sentiment from local listed companies, while there is no evidence of a widespread or high-profile abandonment of ESG policies on the scale seen in the US, there are clear signs of recalibration, regulatory uncertainty, and some companies pausing or retreating from ambitious ESG commitments.

At the consumer level, RIAA once again collaborated with Mindful Money to survey a wide range of kiwis on their attitudes towards ethical investing in New Zealand. In general, the results showed strong support for ethical investment with approximately three quarters of respondents expecting their investments to be managed ethically and responsibly³. The issues that consumers wanted to avoid remained largely unchanged over the six years the survey has been run showing the consistency in the ethical values held by New Zealanders.

Regarding specific ESG themes, similar to the global landscape, climate was front of mind especially given the first year of mandatory reporting under the new regulatory regime. A monitoring report was published by the Financial Markets Authority towards the end of the year that revealed broad compliance with the requirements across the disclosures they sampled, but also highlighted areas for improvement in future reporting periods. The regime itself will likely

face changes going forward as proposed by a government review of the eligibility thresholds and director liability settings. The standard setter, the External Reporting Board, is also considering some reforms to the reporting requirements themselves to better cater towards the different climate reporting entities.

Another development picking up momentum has been the growth of sustainable finance and the demand to introduce a Green Taxonomy in our country to help classify economic activities that are contributing to our environmental objectives. This follows in the footsteps of other taxonomies around the world including the EU Green Taxonomy and the Australian Sustainable Finance Taxonomy under development. Although it is still at early stages, there has been notable progress made in the development of a Taxonomy here with independent advice provided to Government during the year on the structure and governance of it, which was largely accepted and advanced onto the next phase of technical design.

Summary

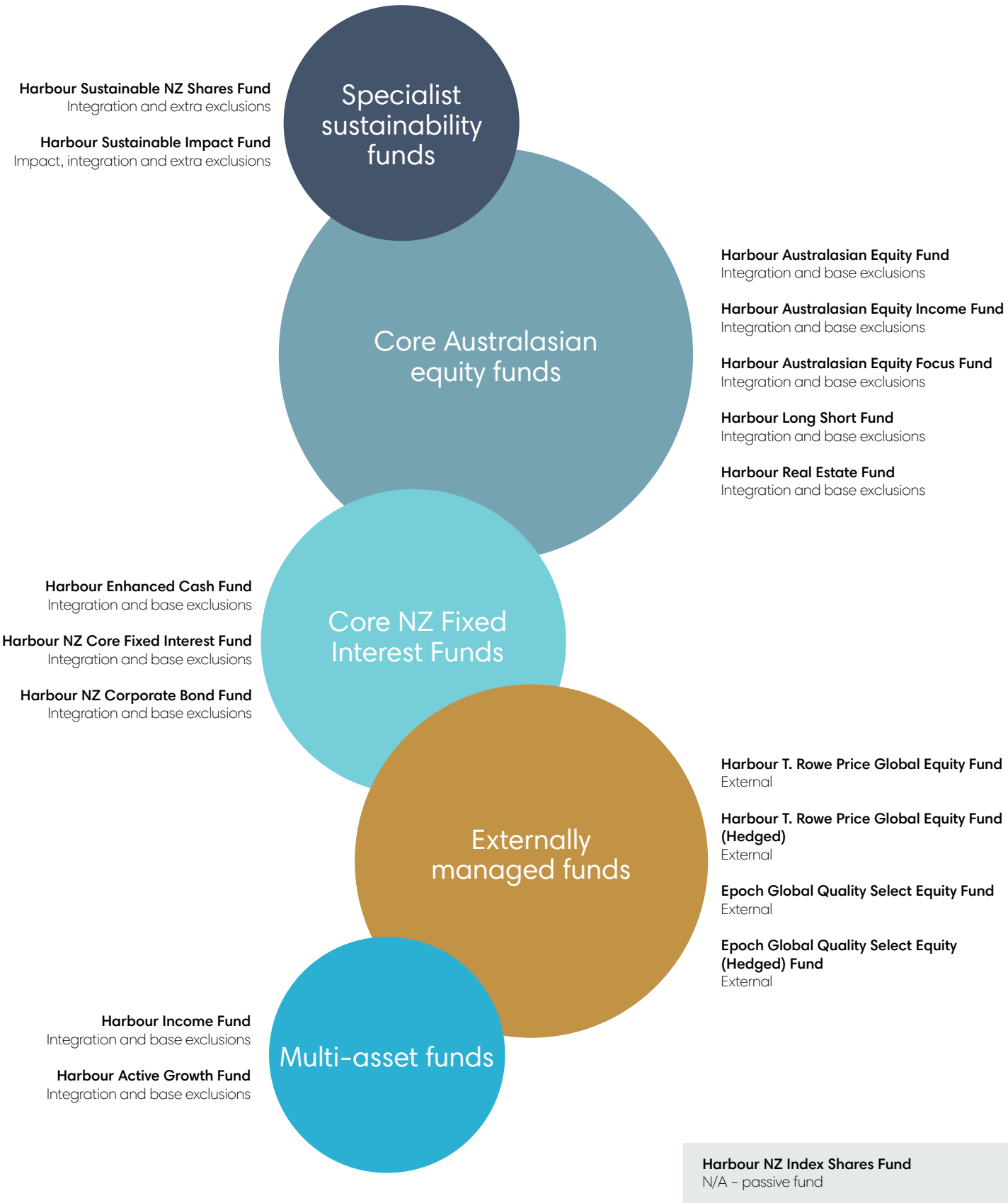
The 2024-2025 period marked a critical inflection point where ESG moved from rapid growth to a more mature, complex phase characterised by regional divergence, political contestation, and evolving regulatory frameworks. While facing significant headwinds, particularly in the US, the underlying business case for considering environmental, social, and governance factors in investment decisions remains, though increasingly expressed through different terminology and frameworks.

² Responsible Investment Benchmark Report Aotearoa New Zealand 2024

³ Voices of Aotearoa: Demand for Ethical Investment in New Zealand 2024



HARBOUR FUNDS IN 2025





SPECIALIST SUSTAINABLE FUNDS

Harbour Sustainable NZ Shares Fund

The Fund passively invests in companies in the S&P NZX Portfolio Index, with exclusions to companies that are exposed to large carbon emitters, alcohol, gambling, munitions, adult entertainment, nuclear armaments, firearms, tobacco and recreational cannabis, child labour and companies with human and animal right violations. There are also positive and negative tilts to the remaining companies based on Harbour's proprietary Corporate Behaviour Score, which has been a core part of Harbour's equity investment processes for over a decade.

Harbour Sustainable Impact Fund

This Fund provides exposure to a mix of domestic and global investments with a focus on the positive impact that these will have on various objectives linked to the United Nations Sustainable Development Goals (SDGs).

While the Fund has been designed to have a lower carbon footprint than the market benchmark, any carbon held in the Fund is offset by Harbour, through investment in projects which actively prevent carbon release and contribute to multiple UN SDGs. The Fund invests approximately 20% in domestic impact equities and 40% in domestic impact fixed interest (both managed by Harbour), as well as approximately 35% in global impact equities and 5% in impact private equity (managed by sector specialist managers).



CORE AUSTRALASIAN EQUITY FUNDS

Harbour uses quantitative screens in its investment process to rank investment opportunities.

Harbour's ESG score is included in all active Harbour equity funds' quantitative screens along with other fundamental factors in the investment process. All other things 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'. Harbour's portfolio managers 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.

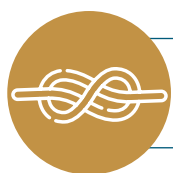


CORE NZ FIXED INTEREST FUNDS

Harbour's fixed interest team utilises both the Harbour Corporate Behaviour Survey and MSCI research, in addition to conducting its own ESG research into unlisted bond issuers. The team uses this research to both engage with companies, and also identify companies whose behaviour may lead to untenable risks.

As for the equity process, the fixed interest process goes beyond just setting exclusions based on moral judgements on industries. It assesses a company's behaviour and conduct relating to ESG considerations, and whether they are on a committed path to improvement. This is done through systematic sector-by-sector meetings by the team to evaluate each issuer's management of ESG aspects and issues.

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 with to promote improved behaviour.



EXTERNALLY MANAGED FUNDS

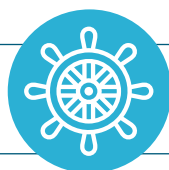
External managers are used for global equity, global fixed income and private equity asset classes. External managers*, at a minimum, must be aligned with two key principles:

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, a member of RIAA or other industry leadership groups) and 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:

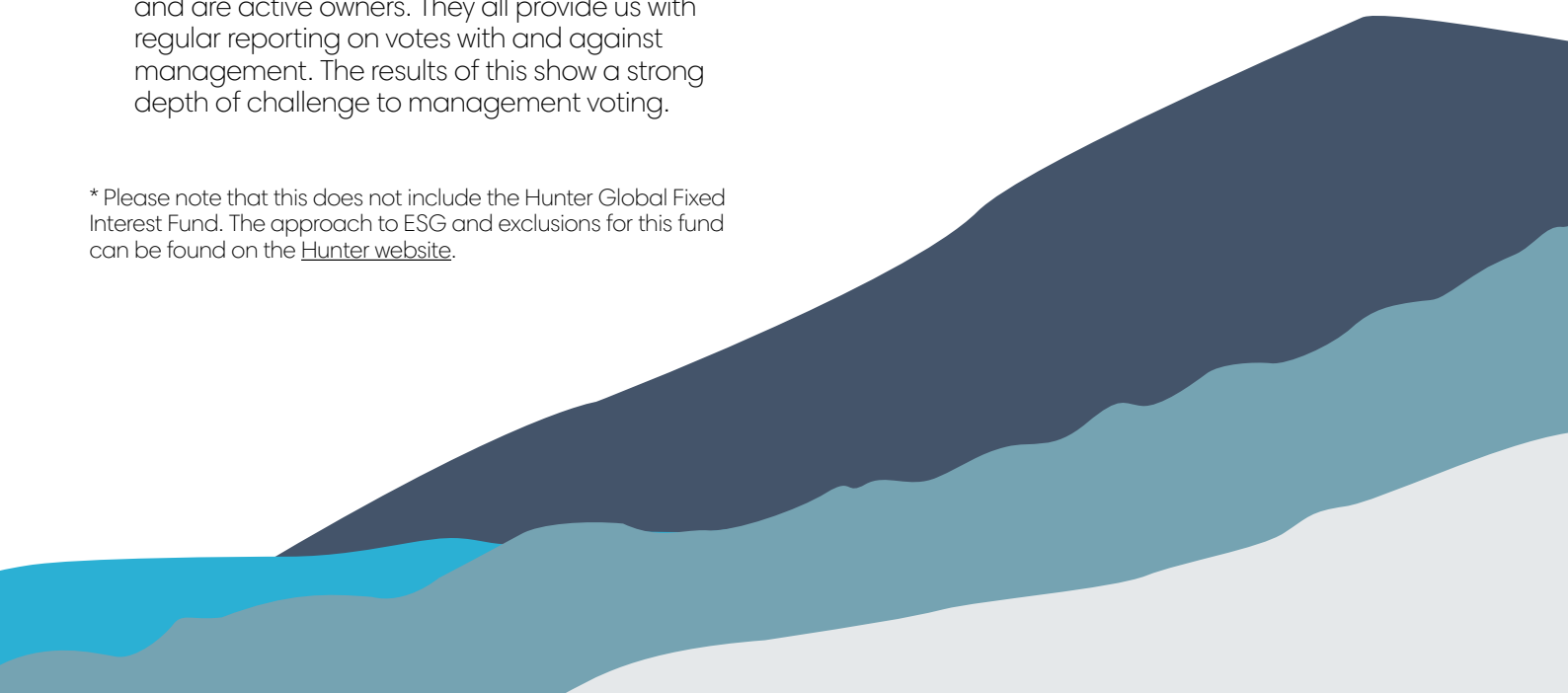
- Undertake independent carbon footprint analysis of external equity managers to measure the carbon intensity of their portfolio relative to benchmark. Adverse results are raised with the manager in the first instance.
- Engage with their responsible investment team to share our views of best practice and identify areas for improvement. Like Harbour, all external managers have proxy voting policies and are active owners. They all provide us with regular reporting on votes with and against management. The results of this show a strong depth of challenge to management voting.

* Please note that this does not include the Hunter Global Fixed Interest Fund. The approach to ESG and exclusions for this fund can be found on the [Hunter website](#).



MULTI-ASSET FUNDS

Multi-asset funds are a combination of Australasian investments managed by the Harbour team, and externally managed funds. This means that our multi-asset funds combine the approaches we have described for internally managed Australasian equities and fixed interest and externally managed funds where applicable.





IMPACT INVESTING

Impact investing is:

Investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return - (Global Impact Investment Network (GIIN)).

The Sustainable Impact Fund was established in 2021 to provide investors with exposure to a diversified range of global and domestic investments which make a positive environmental or social impact while aiming to exceed the traditional asset class return benchmark. All investments are assessed against the United Nations Sustainable Development Goals (SDGs). The Fund defines an investment as impactful if contributing to at least one SDG, and specifically references the more tangible sub-goals.



The Fund's impact

Impact measurement provides a proof-point to combat greenwashing. The following provides an overview of the Fund's impact. More detailed information can be found in [Harbour's 2024 Impact Report](#).



Temperature score

For the month ending 30 June 2024, the temperature score of the Fund was 1.9°C, whilst the Fund's equity benchmark had a score of 2.7°C.



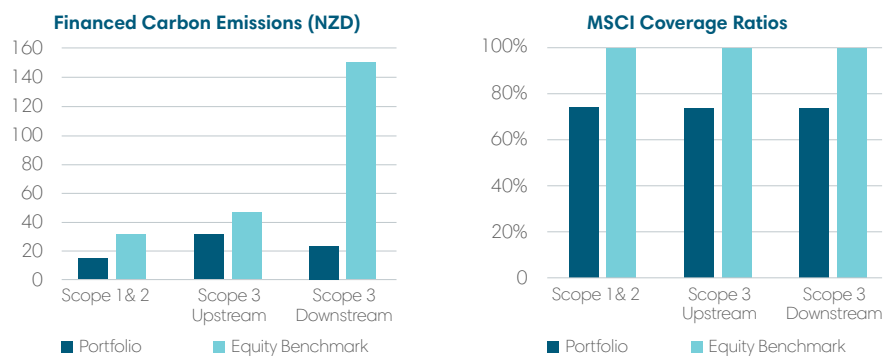
Carbon Footprint

Harbour selected MSCI to provide climate-related data after concluding it would best be able to assist in providing useful climate data and analytics to both enhance our investment process and help meet regulatory requirements.

In displaying carbon footprint alongside the Fund's equity benchmark, we exclude the small allocation to venture capital owing to data availability. As data availability improves, we hope to also measure private company emissions.

Measuring equity vs fixed income carbon emissions

The availability of data for our listed equity benchmark means calculation of these carbon metrics is relatively simple. However, when it comes to fixed income, over 60% of the relevant benchmark is government-related securities. Given that these entities do not actively report on emissions data, we feel it is not appropriate to calculate a level for the remaining securities in the benchmark and gross this number up, as it is simply not representative of the universe. This rationale applies to the overall impact scoring as well. Therefore, we have elected to show all of our scoring against our equity benchmark.



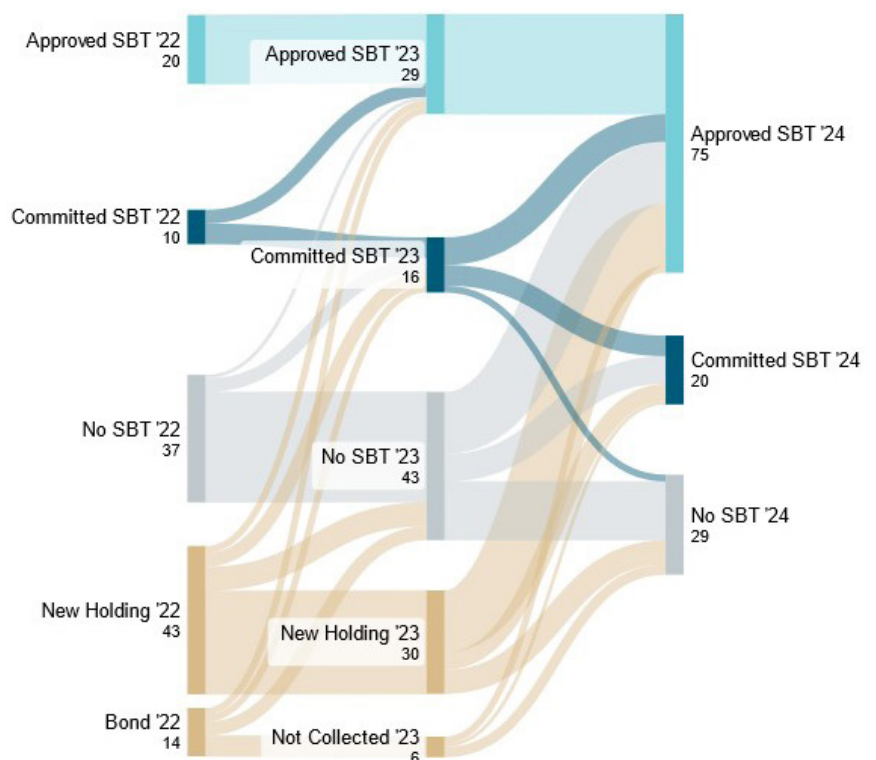
Harbour offsets the Fund's owned emissions each year – for a description of this process and the projects used to access credits see the appendix.



Science Based Targets Initiative (SBTi)

The SBTi is an NGO founded in partnership with the United Nations Global Compact, World Resources Institute, CDP and WWF. It provides technical assistance and certification to companies who set science-based targets in line with the latest climate science. We are supportive of the SBTi's work to provide integrity to assessing companies' climate ambitions. Currently 95 issuers of the 124 in our portfolio of listed equities and bonds, have committed to a published climate goal, with 75 of these having targets approved by SBTi. To demonstrate the progress made year-on-year we have created the illustration shown on the right.

Investee companies with Science Based Targets: 2022 - 2024





Overall impact scoring

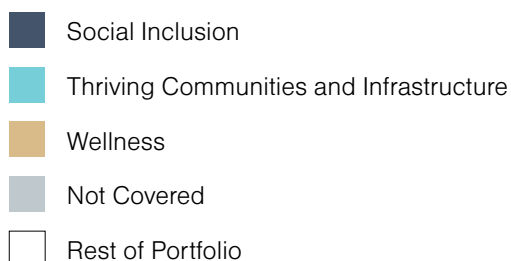
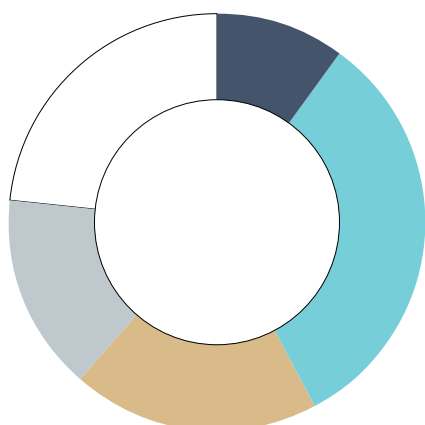
For each company we use ISS's SDG alignment score for the company's primary SDG contribution. For ease of interpretation, we normalise to a score from 0-10. We then aggregate individual company data for the Fund's portfolio, classifying by impact pillar and sub-pillar (for an explanation of impact pillars please refer to Mapping SDGs to Impact Pillars).

Due to differences in the way that ISS, Harbour and our external partners classify the primary contribution of a company's impact, the ISS mapping to each SDG may differ to our qualitative assessments.

We note, yet again, that due to the fact that a portion of the bond holdings in the portfolio are 'labelled issuance' (i.e. 'Green' bonds, 'Social' bonds, etc), the ISS impact scores for the issuers do not take into account the specific goals of the bond issue in question. As a result, the calculated score for the fixed income portion of the portfolio may be on the conservative side compared to the specific impact goals of any particular bond issues in the portfolio.

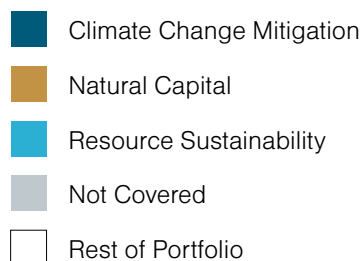
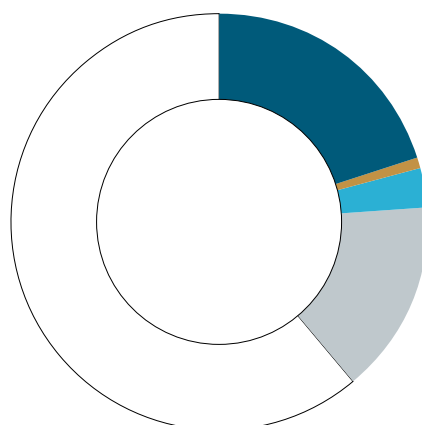
Output for the Fund as of 30 June 2024 is seen on the next page. Sub-pillar scores are weighted averages based on the weight of securities in the Fund – with the sum of the weights showing a coverage ratio of over 80% of the total portfolio. Our overall portfolio score comes in at 7.6/10 – this is an improvement from 2023's score of 7.4/10, which was also an improvement on the year before that. This compares to a score of 7.2/10 for our equity benchmark.

SOCIAL



Sub-Pillar	Portfolio Weight	Average Score
Social Inclusion	9.9%	6.9
Thriving Communities & Infrastructure	32.4%	6.8
Wellness	19.0%	8.8
SOCIAL TOTAL	61.3%	

ENVIRONMENTAL



Sub-Pillar	Portfolio Weight	Average Score
Climate Change Mitigation	19.7%	8.2
Natural Capital	0.8%	8.3
Resource Sustainability	2.9%	7.0
ENVIRONMENTAL TOTAL	23.5%	



STEWARDSHIP REPORT

Introduction

Stewardship has always been a core part of Harbour's overarching responsible investment approach, reflecting our belief that it is an important lever for achieving positive real-world change in key environmental, social and governance issues.

Harbour has been providing information on our stewardship activity and outcomes on a voluntary basis for multiple years through a variety of channels and this report represents an evolution of our disclosure.

As background, Harbour played a pivotal role in the development of the Aotearoa NZ Stewardship Code and subsequently signed up as a Founding Signatory to support its adoption and hold us accountable to its standard.

In Harbour's view, we have complied with all the principles that underpin the code through the information provided in this report as well as our separate stewardship and ESG policy documents. However, we also recognise that stewardship best practice continues to evolve, and we therefore aim to keep improving our approach as well.

Governance

On 1st May 2024, Harbour became part of a group of investment and advisory businesses ultimately owned by FirstCape Group Limited (FirstCape). BNZ Investment Services Limited (BNZISL) is now a wholly owned subsidiary of Harbour with the overall organisational structure provided below:

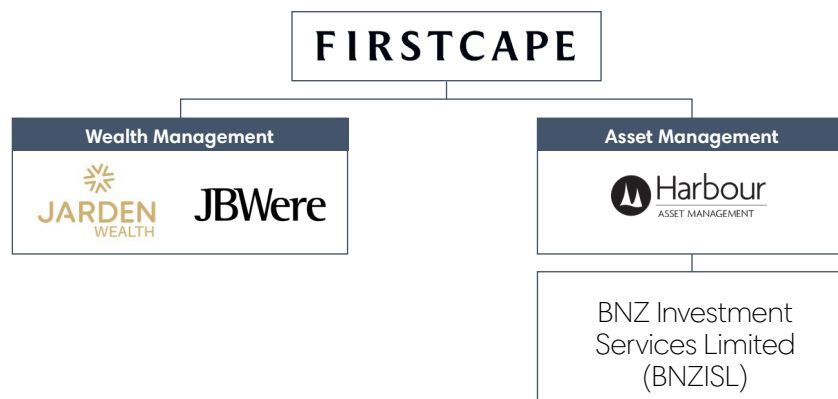
Harbour adheres to the FirstCape Code of Conduct that sets out the expectations for how we work, how we serve our clients and communities, and how we engage with our regulators and stakeholders. This code applies to all directors, people leaders, employees and contractors within the FirstCape Group and is guided by the following four core values: **Clients First, Excellence Always, Lead with Purpose and Stronger Together.**

These values are supported by corresponding behaviours that ensure we are committed to the highest standards of conduct and ethics in all our activities.

Harbour's and BNZISL's governance structure starts with our board of directors who act as the main body for oversight of the whole responsible investing program including stewardship.

The primary coordinators of Harbour's stewardship approach are our Senior Manager, Responsible Investment and Manager, ESG Research who form the Responsible Investment team that reports directly to the Co-CEO. While the Responsible Investment team will often contribute to specific engagement and voting activities, the main responsibility is the coordination of the overall strategy, measurement, monitoring and reporting of these activities in line with our investment philosophy.

However, each member of the investment team plays a role in the implementation of stewardship activities according to our engagement and voting processes detailed in our stewardship policy.





In particular, the Responsible Investment team works closely with members of the equity, fixed income and multi asset teams of the company to ensure a generally consistent approach across asset classes while accounting for nuances (e.g. proxy voting not applicable for bonds).

The investment team has a wealth of experience managing money and undertaking stewardship activity (in some cases decades). The Responsible Investment team are incentivised through a variable remuneration scheme with performance objectives that include the delivery of our stewardship and advocacy program.

The distribution of stewardship activity across the whole investment team as well as utilising an external service provider ensures there are sufficient resources to support the goals of effective stewardship.

The key reporting mechanism internally is through Harbour's investment committee that comprises managers across the business as well as a board representative. These meetings are conducted on a quarterly basis and involve a comprehensive update from each business segment including ESG risk. The stewardship specific inputs capture all the contentious proxy votes and associated engagements as well any noteworthy external manager engagements that have occurred over the quarter.

The governance and management structure outlined above from our experience, has been an effective way to coordinate and deliver on our stewardship objectives as evidenced by our numerous successful case studies over the years and validation from reputable industry benchmarks.

ESG Incorporation

ESG issues form the basis of our stewardship activity. In line with our engagement philosophy, we initiate discussions with senior management and the boards of companies on material ESG issues in a constructive way to enact positive change.

Engagement with issuers is generally conducted on a strategic basis on themes such as climate change or modern slavery and are prioritised by both the materiality of the issue for each company as well as relevance to Harbour portfolios.

Materiality of these issues for companies are measured through our bottom-up assessment according to our ESG scoring process that is informed by best practice industry frameworks such as the Sustainability Accounting Standards Board Materiality Map.

This is shown through the engagement breakdown section below that summarises the variety of ESG issues that are covered from climate change, modern slavery, board composition etc.



These targeted engagements are supplemented by the general ESG engagement we conduct across our whole NZ investment universe each year as part of our Corporate Behaviour Survey process.

The Corporate Behaviour Survey is our primary way to comprehensively assess how well each company in our NZ investment universe is addressing ESG considerations with engagement playing a key part. More information can be found [in our ESG policy](#).

External Managers

Harbour and BNZISL outsource the international equity and international fixed income asset classes to external investment managers. Following the change of ownership on the 1st May 2024, the Harbour mandate was extended and now includes management of the Australasian equity, NZ fixed income and cash asset classes. This sits under a separate mandate. For the purpose of BNZISL's approach to stewardship and responsible investment this mandate is managed in the same way as our external manager mandates.

There is regular monitoring of performance across all asset classes and managers by Harbour's Global and Multi-Asset team and Investment Committee. Our due diligence process ensures that the active external investment managers we appoint incorporate ESG considerations into their investment process. This is specifically required under each mandate. Our passive external investment manager utilises engagement and voting rights to support ESG considerations and this is further supported through our signing up to their Sustainability Stewardship Service which is client driven and prioritises sustainability outcomes.

Te Ao Māori and Te Tiriti o Waitangi

The Te Ao Māori value that relates most to our business and the companies we choose to invest in is Kaitiakitanga. As fund managers, we act as guardians or stewards for the wealth of our clients and it is our fiduciary duty to invest in a way to benefit our clients and their whānau. We therefore seek to invest in a way that preserves and respects our land and our people to promote the transfer of intergenerational wealth without exploiting our natural and social resources. In our investment process, we therefore favour companies that are actively demonstrating this principle through the appropriate management of their stakeholders and the environment.

In practice, our Corporate Behaviour Survey includes a question on the extent that companies are working with tangata whenua in their operations to ensure that all parties mutually benefit from these business activities. This reflects the Te Tiriti o Waitangi principle of partnership where both parties should act reasonably, honourably and in good faith.

In addition, we seek to better understand how companies we invest in are considering iwi stakeholders and during the reporting period have learnt in a couple of cases of businesses planning to elevate their strategic approach supported by the appointment of new iwi relationship managers.

Going forward, we intend to pursue opportunities to increase our knowledge and understanding of incorporating Te Ao Māori and Te Tiriti o Waitangi more into our responsible investing approach. Our initial focus will be increasing our organisational capability and cultural understanding through access to Te reo, tikanga and Tiriti o Waitangi training initiatives.



Conflicts of interest

Conflicts of interest are an important consideration when undertaking our engagement and voting activity. Harbour's approach to the mitigation and effective management of any conflicts of interest with respect to stewardship are outlined in our Stewardship Policy. Our underlying investment managers also all have conflict of interest policies in place.

To Harbour's knowledge there was one case of a conflict of interest with respect to our stewardship activity over the reporting period. This case relates to a portfolio Harbour manages for an individually managed account client with a listed equity mandate. Given the client's business is owned by a listed company that forms part of the investment universe for the mandate, a potential conflict arises whenever that company is held within the portfolio.

The client is aware of this and has established a compliance process that Harbour has enacted which involves voting abstention from all shareholder meetings held by that company.

During the reporting period, the listed company in question was held within the client's portfolio, creating a conflict of interest. According to our established process, we abstained from voting the shares at the company's AGM to manage this conflict.

There have been no conflicts of interest reported to us by our external managers over the reporting period.

Policy

For further information regarding Harbour's philosophy, principles and process of our engagement and voting practices, please see our standalone Stewardship Policy available on our website. This policy has been developed in accordance with Principle 2 of the Code and undergoes a review process on an annual basis, or more frequently if required. It is coordinated by the Responsible Investment team with input from our Product and Multi Asset teams.

Review

We undertook a detailed review of all our investment managers to understand their approach to engagement.

Eight elements of good engagement practice were qualitatively assessed and scored. The engagement review gave a good baseline understanding of how our investment managers approach engagement and how this supports our investment objectives, including net zero targets, active ownership (e.g. engagement over divestment) and PRI and Stewardship Code commitments. Overall, our investment managers were assessed as either strong or excellent.

We review our approach to stewardship and this report at least annually. This ensures we stay up to date with best practice and our processes continues to support a robust Stewardship approach. This review is also facilitated by external controls testing and product certification.

Harbour has sought independent testing through an annual GS007 controls audit which encompasses a broad range of operational processes that include proxy voting activity. This is a comprehensive audit that involves walk-through demonstrations of the end-to-end voting process as well as collecting random samples of our voting records.

In addition, some of our key equity funds are certified under the RIAA program which involved an extensive application process and ongoing verification of our responsible investment practices including stewardship. Other industry scorecards such as the PRI annual assessment reports are also used as external benchmarks for our approach.

The internal review and ongoing management of the overarching stewardship approach is aided by established record keeping processes that track our engagement and voting actions throughout each year to enable us to monitor progress against the objectives and provide transparency to our clients on the outcomes.

Engagement Strategy

Our engagement over the reporting period continued to focus on climate change and key social issues such as human rights and health and safety. The main driver of our climate engagement agenda was discussing the first year of mandatory reporting where most NZ listed companies were captured. Engagement on social issues, particularly human rights, was largely focused on violations related to geopolitical conflicts while discussions closer to home involved issues such as health and safety and Te Ao Māori consideration.

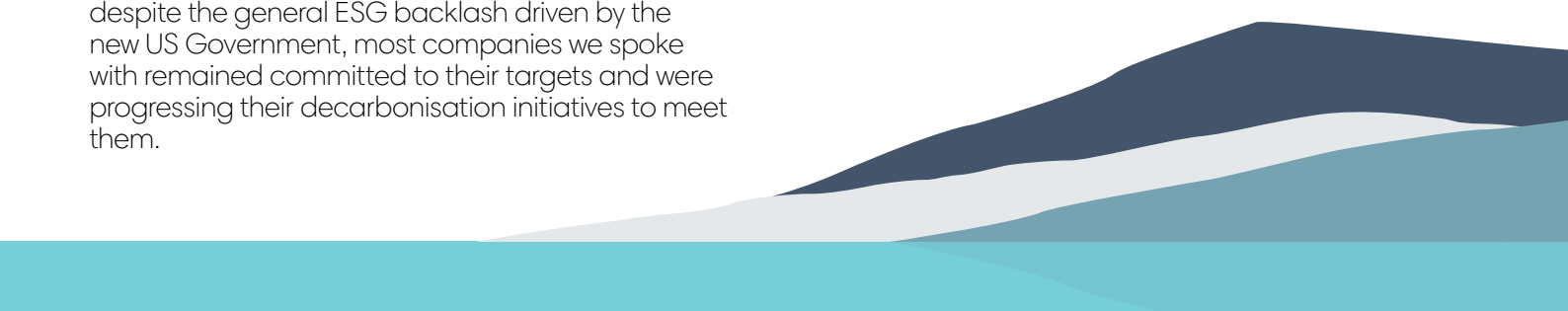
Climate disclosure engagements revealed that there was broad consensus over how costly and resource intensive the exercise had been to produce these reports and how it had detracted from other sustainability work. Potential reforms to the regime have subsequently been proposed in a public consultation from the Government which we submitted on. As a follow up, we also engaged with policy representatives at MBIE along with industry peers to express our views of the impact of the regime on our sector and how the settings could be improved. In terms of engagements with companies on actual climate action, we found that despite the general ESG backlash driven by the new US Government, most companies we spoke with remained committed to their targets and were progressing their decarbonisation initiatives to meet them.

Regarding social issues, engagement on upholding human rights were mainly centred on companies in our global funds with exposure to geopolitical conflicts, particularly the Israel – Palestine occupation. This followed the development of our new human rights framework that involved refining our escalation approach where engagement and/or divestment played a greater role. In some cases, we attempted to engage companies that were identified as having some involvement in the conflict that resulted in human rights violations to raise our concerns and inform them of the outcome of our risk assessment. Domestically, there was minimal change in company practices to address modern slavery given there was no regulatory catalyst. Conversations tended to be more idiosyncratic and sought further insight for those companies where it was more of a material issue due to the nature of its industry and/or geographic exposure. Other social engagements involved querying companies on health and safety issues where we noticed concerning trends in employee injury rates or specific incidents highlighted in annual disclosures.

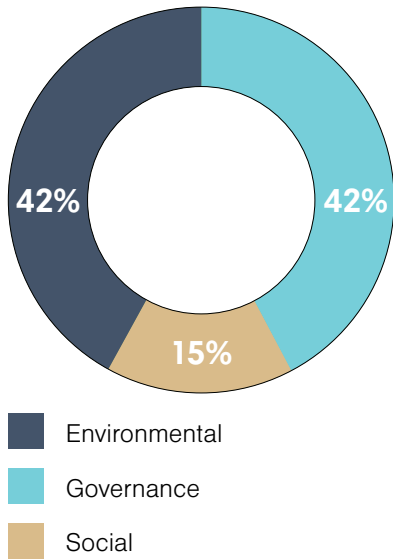
Our engagement strategy also continued to capture companies with contentious governance issues such as Board composition and executive/director remuneration particularly around company AGMs. There were a higher number of companies this year with contentious remuneration resolutions and several conversations were had with company Chairs justifying these proposals given concerns over the size of bonus packages and the lack of transparency over the performance criteria used to award them.

Engagement Breakdown

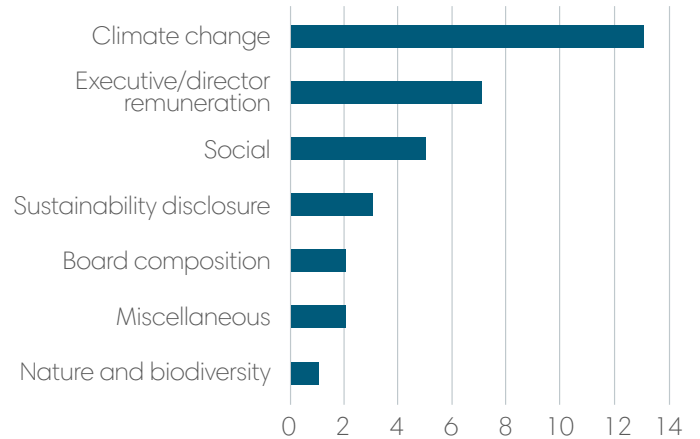
During the reporting period we conducted 33 ESG related engagements on ad hoc issues in addition to the engagements we conduct annually as part of our Corporate Behaviour Survey process. We have also measured the engagements conducted by our external managers utilised in our global and multi-asset funds with pillar breakdowns provided below. There were 1418 total engagements across these managers with a higher proportion focused on governance compared to our in-house engagements that had a balanced proportion with environmental issues.



Harbour Engagements by pillar

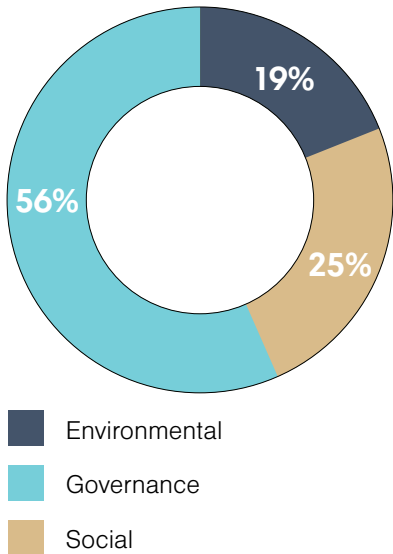


Harbour Engagements by theme



Outcomes from these engagements were generally constructive with many of the companies receptive to our concerns and in some cases taking action to improve on the issues identified, as demonstrated through the case studies below. We acknowledge that some of these issues are long-term in nature and take time to enact change. We are both patient and confident companies will eventually make the appropriate adjustments, but we will continue to monitor and liaise with them until these are made.

External Manager Engagements by pillar



There were a variety of different ESG issues covered in these internal engagements and, in some cases, they involved multiple interactions with the company. As part of our engagement strategy, we engaged with thirteen companies on climate change and five on social aspects including modern slavery and health and safety. We continued to engage on AGM resolutions relating to compensation through seven executive/director remuneration engagements and four on director elections. There were also six engagements on miscellaneous ESG issues such as querying regulatory investigations and promoting improved sustainability disclosure.



Case Study 1:

We participated in a collaborative engagement with the GM of Sustainability at a NZ materials company along with our peers to discuss the company's climate strategy. Although the company has been making gradual progress in reducing its emissions, we wanted to seek clarity over its strategic direction given the recent senior management and board changes and review of its science-based target.

Outcome: In our view it was a positive engagement where we learnt that the company is currently undergoing verification of a more ambitious (1.5 degree aligned) target that has been endorsed by the board and management. A greater level of detail in the company's climate disclosure was also encouraged by our group going forward, particularly at the business division level which they stated would be taken into consideration for its reporting later this year.

Case Study 2:

We engaged with an Australasian financial company following the announcement that the Australian Securities and Investment Commission had launched an investigation into market manipulation as well as media speculation that its NZ business was under investigation by the NZ Financial Markets Authority (FMA). We acknowledged the investigations may be at an early stage and full information may not be publicly available but requested if they could share any detail on its response to date and any changes the company planned to implement.

Outcome: The company responded that they were not aware of any investigation by the FMA and that no one in its NZ business was connected to the matters under investigation at its Australian business. However, following the media speculation, the NZ business did still review a number of its processes and associated controls to ensure these were still fit for purpose.

Case Study 3:

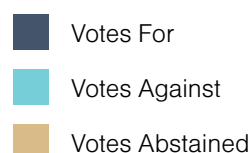
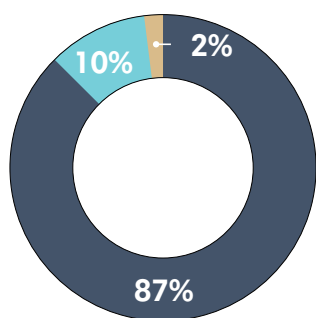
We engaged our external manager T. Rowe Price to discuss a Canadian utility company's involvement in supplying components used for tritium production in the US nuclear weapons program. Independent research confirmed a strong link, raising questions about exclusion criteria.

Outcome: T. Rowe Price conducted further due diligence and based on new evidence, added two entities to their Nuclear Weapons Exclusion List, replacing one investment with another in their Global Impact Equity strategy. The ownership structure and contract details were clarified, showing that the majority equity investment in one company is exclusively linked to a specific investment entity, and another entity is now held for impact and decarbonisation purposes.

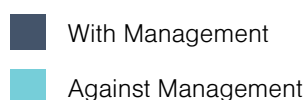
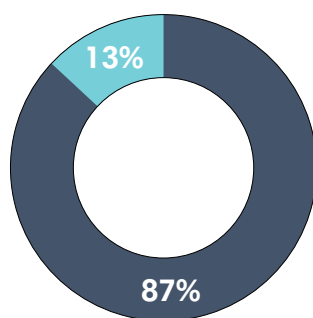
Voting Outcomes

A summary of proxy voting activity across both in-house and external managers for the 15 months to 31 March 2025 is provided through the charts below.

Total Proposals



Management Recommendations



reported. In addition, the magnitude of the long-term incentive payment continues to be excessive relative to peers. The resolution still passed in the end receiving 65% shareholder support.

There were more director elections opposed by Harbour compared to the last reporting period with most of these due to the lack of independence or as a signal for poor remuneration practices. There was also a couple of shareholder endorsed director candidates in one case that we did not deem as justified to be appointed and therefore voted accordingly.

Climate change resolutions were proposed by shareholders but were often not put to the meeting given they were conditional on the resolutions to amend constitutions which did not carry. Regardless, our voting intentions tended to be against these proposals given requests for climate action or information where in many cases companies were already making solid progress. Examples included the major Australian banks who have joined the Net Zero Banking Alliance, set near term targets in their lending portfolios (sector specific) and committed to the phasing out of financing fossil fuel production.

A full list of voting records across Harbour funds are provided on the responsible investing page of our website.

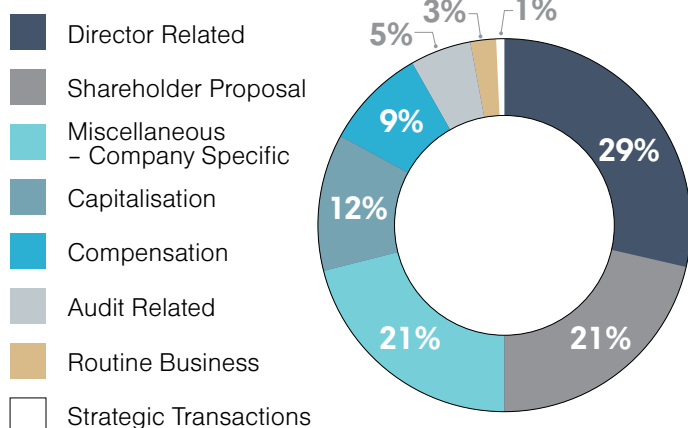
Advocacy and collaboration

As signatories to the Aotearoa New Zealand Stewardship Code, Harbour have committed to promoting effective stewardship including working collaboratively to amplify investor influence on ESG issues.

During the reporting period, we participated in the Private Assets and New Zealand Sustainable Finance working groups through the Centre for Sustainable Finance. These initiatives are focused on ensuring the right tools and settings are in place to mobilise capital towards activities that enable a resilient and sustainable economy.

In addition, as mentioned in the first case study, we worked with industry peers on a company level collaborative engagement to seek positive outcomes with respect to climate strategy using our collective voice.

Breakdown of votes against



The most prevalent voting resolutions that were contentious over the year related to the election of directors. There was a similar amount of shareholder resolutions filed compared to the previous reporting period for companies in Harbour funds with these largely focused on climate change.

On executive remuneration, an example where we voted against management recommendations was for an Australian real estate company regarding multiple resolutions to approve the bonuses paid to executives. This was due to the significant level of bonuses paid over the year when there was a fatality



SUMMARY

On the whole, engagement over the reporting period has been dominated by the first round of mandatory climate disclosures with the conversations centred on how companies have responded to the requirements and what they thought about the effectiveness of the regime in general. Although climate disclosure was the primary sustainability topic discussed, there were still other issues covered during engagements including governance concerns, health and safety, and customer hardship.

Going forward, we expect climate disclosure to continue to be a key focus as companies turn to some of more difficult reporting aspects such as transition plans that were optional to provide in the first year. We may also see more attention paid to other emerging sustainability topics like the role of nature and biodiversity as well as the risks of generative artificial intelligence use.

In addition, we will continue to engage companies as any material ESG issues arise, particularly on contentious areas proposed during company AGMs. This also includes maintaining our dialogue with companies that we have identified as lagging in an issue such as Board independence, remuneration or ESG disclosure, by constructively working with them in the long term to achieve the best outcomes for shareholders.



Harbour Asset Management Limited

0800 460 830
contactus@harbourasset.co.nz

Level 16, 171 Featherston Street
Wellington

Level 29, 188 Quay Street
Auckland

IMPORTANT NOTICE AND DISCLAIMER

This presentation is provided for general information purposes only. The information provided is not intended to be financial advice. The information provided is given in good faith and 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. Past performance is not indicative of future results and no representation is made regarding future performance of the Funds. No person guarantees the performance of any funds managed by Harbour Asset Management Limited.

Harbour Asset Management Limited (Harbour) is the issuer of the Harbour Investment Funds. A copy of the Product Disclosure Statement is available at <https://www.harbourasset.co.nz/our-funds/investor-documents/>. Harbour is also the issuer of Hunter Investment Funds (Hunter). A copy of the relevant Product Disclosure Statement is available at <https://hunterinvestments.co.nz/resources/>. Please find our quarterly Fund updates, which contain returns and total fees during the previous year on those Harbour and Hunter websites. Harbour also manages wholesale unit trusts. To invest as a wholesale investor, investors must fit the criteria as set out in the Financial Markets Conduct Act 2013.