



CASTLE POINT

RESPONSIBLE INVESTMENT:
POLICY

BLACKLIST AND POSITIVE SCREEN

May 2021



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1. Purpose

The purpose of this policy is to articulate our approach to responsible investing (RI) and to provide a framework for understanding and managing Environmental, Social and Governance impacts, risks and opportunities across our investment management services.

2. Regulatory Framework

2.1. NZ Law

NZ Law prohibits NZ fund managers from investing in companies who manufacture Cluster Munitions.

<http://www.legislation.govt.nz/act/public/2009/0068/latest/DLM2171615.html>

2.2. Trust Deed

Our Trust deed (Clause 14.4.2) requires us to act in the best interests of our investors and treat our investors equitably.

2.3. UNPRI

As part of our commitment to responsible investing, we are a signatory to the United Nations Principles for Responsible Investment (UNPRI), a United Nations-supported framework which provides aspirational global criteria for responsible investing.

As a signatory to the United Nations supported Principles for Responsible Investment, we are committed to these six principles which provide guidelines for institutions on incorporating environmental, social and governance factors into their investment processes:

- incorporating ESG issues into investment analysis and decision-making processes
- being active owners and incorporating ESG issues into our ownership policies and practices
- seeking appropriate disclosure on ESG issues by the entities in which we invest
- promoting acceptance and implementation of the principles within the investment industry
- working together with other signatories to enhance our effectiveness in implementing the principles
- reporting on our activities and progress towards implementing the principles

Further information on UNPRI's reporting methodology is available on the UNPRI website at www.unpri.org

3. Policy

We prefer investment opportunities in companies that can generate long-term shareholder returns and provide substantial environmental or social benefits.

There are some industries, companies or practices that do not have a place in a long-term sustainable society. We exclude these from our investment universe.

We encourage company boards and management to improve their ESG credentials.

3.1. Negative Screening

We employ a Blacklist where certain industries, companies, and practices will be avoided. The Blacklist is maintained by the Investment Committee and is available on our website. Where we invest into securities directly, we will not invest in these Blacklisted industries or companies.

3.2. Positive Screening

Some companies can make positive ESG contributions and provide enhanced long-term shareholder returns. We actively seek out these investments in a process known as positive screening. Passing through the positive screen does not guarantee inclusion into any portfolio, any potential investment must still meet our stringent investment criteria. The Positive Screen is maintained by the Investment Committee and is available on our website.

3.3. Research

ESG research forms an integral part of the research process. Research is tailored to the category of the investment opportunity. Ratings must be high, or we must see a pathway for improvement.

Direct investment that we categorise as “Quality” must have a high ESG rating.

The ESG factors we consider include:

- **Environmental:** factors relating to pollution, hazardous waste, energy or resource usage, climate change, green technologies or water management.
- **Social:** factors relating to human rights, ethical or indigenous relationships, health and safety, diversity, social programs or charitable endeavours.
- **Governance:** factors such as bribery or corruption, transparency, alignment, board structure, executive compensation or voting procedures.

3.4. Active Ownership

We use our position as representatives of our investors to influence positive ESG behaviours and outcomes.

We will work with regulators, the investment management community and investee companies to develop consistently reportable metrics on factors such as carbon footprint, water use, waste and pollution, employee diversity and labour standards.

If an ESG issue is deemed to be material, we will start a formal engagement process. In determining materiality, we consider potential costs that may come from ESG factors such as social or environmental impacts that may not be captured in traditional financial reporting.

The decision to formally engage is made by the portfolio managers on advice from the analyst.

Our engagement process involves:

- formal declaration of our concern to the company noting how it might impact the long-term prospects of the company
- assessment and record keeping of the engagement
- consideration of exercising our right to submit items to the agenda at the AGM and appoint alternative directors to effect change
- consideration of exiting the holding.

If appropriate, we will consider collaborating with other shareholders whose interests are aligned with ours.

Where possible we will use our voting rights to influence positive ESG outcomes. If there is a potential conflict of interest in direction of proxy voting, our Conflicts of Interests Policy will apply. We will maintain a record of voting.

3.5. Sub-managers

Where we appoint sub-managers to make investment decisions on our behalf, we expect their process to be aligned with our own. Where we identify deficiencies, we engage with those managers in the same manner as we would with management, or the boards, of our direct holdings.

4. Review

This Policy shall be reviewed annually by the Compliance Assurance Committee to ensure its appropriateness and its compliance with respective regulations.

The negative and positive screens shall be reviewed annually by the Investment Committee.

Changes to the Blacklist that result in a material change in a fund's holdings will be communicated to investors in advance.

5. Responsibility and Accountability

| Role | Responsibilities |
|----------------------|--|
| Managing Director | <ul style="list-style-type: none"> Report SRI adherence to the Board |
| Compliance Officer | <ul style="list-style-type: none"> Ensure adherence to blacklist |
| Board/CAC | <ul style="list-style-type: none"> Annual review of policy |
| Investment Committee | <ul style="list-style-type: none"> Annual review of Blacklist and Positive Screen Approval and communication of changes to blacklist and positive screen Review of RSI research process |
| Portfolio Managers | <ul style="list-style-type: none"> Ensure adherence to blacklist Consider ESG factors when managing portfolios Consider ESG factors when voting Consider ESG factors when voting and speaking with company executives Monitor investee companies ESG factors |
| Research Analysts | <ul style="list-style-type: none"> Take ESG factors into account whilst researching companies and in final investment recommendations Monitor ESG activities of investee companies for which they are responsible Alert PM's if current or expected activities are likely to increase ESG risks Use positive ESG screens to identify potential investment candidates. Communicate Castle Point's ESG expectations and reporting requirements to management teams during company meetings. |
| All staff | <ul style="list-style-type: none"> Comply with Castle Point's policies |

6. Reporting

We shall adhere to the reporting framework as shown below:

| Report | Responsibility/Frequency | To Whom |
|-------------------------------|--------------------------------|--|
| Daily Mandate Check | Operations Analyst / Daily | Compliance Officer |
| Sub-manager holdings check | Operations Analyst / Quarterly | Compliance Officer |
| Investee Engagement Report | Compliance Officer / Quarterly | Investment Committee |
| Proxy Voting | Operations Analyst / Quarterly | Investment Committee Clients on request |
| Portfolio Manager declaration | Compliance Officer / Annually | Compliance Assurance Committee |

7. Related Policies

Conflicts of Interest Policy

1. Framework

We employ a Blacklist where certain industries, companies, and practices will be avoided.

We also actively seek out investments in a process known as positive screening.

Both the Blacklist and the Positive Screen is maintained by the Investment Committee.

2. Blacklist

Stocks, sectors, or industries that are blacklisted:

- manufacturers of cluster munitions, anti-personnel landmines, chemical, biological or nuclear weapons
- manufacturers of components that have been developed, or modified for, the exclusive use of cluster munitions, anti-personnel landmines, chemical, biological or nuclear weapons
- companies involved in the production and retailing of automatic and semiautomatic civilian firearms
- manufacturers of tobacco products
- any business that derives more than 50% of revenues from the distribution, packaging, or retailing of tobacco products
- companies involved in the capture of whales or the processing of whale meat

3. Positive Screen

Sectors and Industries where we actively seek out opportunities:

- renewable energy
- carbon neutral technology
- carbon reduction technology
- clean energy production
- emission reduction technology
- recycling



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