Aurora Capital - Responsible Investment (RI) Policy

22 FEBRUARY 2024

INTRODUCTION

The Aurora RI Policy is driven by our investment philosophy and beliefs and describes how we embed responsible investing into our investment approach.

At Aurora, we believe that responsible investing can create real positive change for our clients, other people, and the planet. Helping to improve the climate and environment is a big focus for us. Our aim is to invest in assets that can grow over the long-term and can contribute to a better climate and environment. We expect that companies engaging in activities that move us toward a more sustainable future will generate better investment returns. We actively avoid companies that, in our opinion, do more harm than good to the environment and society.

While all environmental, social and governance (ESG) is important, we prioritise investment strategies that target a low-carbon economy and can contribute to a more sustainable climate and environment.

We believe that the level of carbon dioxide emissions (and other greenhouse gas emissions with global warming potential, collectively referred to as carbon emissions) entering our atmosphere needs to be substantially reduced in order to prevent catastrophic heating of our planet. Carbon emissions are a risk to investment portfolios, and like all investment risks, needs to be managed.

There are two elements to carbon emissions and global warming that have the potential, if unmanaged, to have a detrimental impact on portfolio returns:

- An increased occurrence inof extreme weather events and rising sea levels may damage asset values. Higher temperatures may affect a company's ability to continue to operate normally.
- Companies and governments run the risk of owning 'stranded assets,' in which the value of an asset is substantially reduced due to changes in demand or the cost of carbon being fully priced into its business model.

AURORA CAPITAL'S RI APPROACH

We use a mix of responsible investing approaches that orient around improving the climate and the environment.

- **Sustainability** - we believe that companies that positively contribute to society and the environment are likely to face fewer risks over the long term and as a result, are more likely to deliver better investment returns. Aurora Capital supports the United Nations (UN) Sustainable Development Goals (SDGs) with the view that all the SDG's are important for a better and sustainable future. However, we prioritise the SDG's that can positively influence the climate and environment and we regularly monitor each portfolio's alignment with this subset and the broader SDG's. The climate and environment related SDGs tracked by Aurora are identified in this document under, " Sustainable Development Goals."
- **Exclusion** - we actively exclude companies that do more social and environmental harm than good. While exclusions are important in avoiding the most harmful activities, using the climate and environment as an example, exclusions can't create the change that's needed to reduce carbon emissions, which is central to improving the climate crisis. We need to do more than simply exclude high carbon emitting companies; we also need to fund innovations that are needed to replace legacy carbon emitting processes.
- **ESG integration** - which includes identifying, reducing, and managing ESG risks. The integration of ESG factors into portfolio decision making can help to identify the long-term risks of investing in a company or asset. Investing in strategies that seek to actively reduce and manage ESG factors can help to lower portfolio risks over long-term investment horizons. While all ESG is important, we prioritise investment strategies that target a low-carbon economy and/or have a less negative impact on the climate and environment. All of the underlying fund managers we have appointed actively integrate ESG factors into their decision making.

Figure 1: We use a mix of responsible investing approaches and prioritise the climate and environment.

Additional information on the sustainability priorities of the portfolios

The Sustainable Development Goals (or SDGs) are a set of 17 goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. We believe that all SDG's are important for a better and sustainable future, but we prioritise aligning our portfolios with the climate and environment related SDGs. Of the 17 SDG's, our focus is on the 4 SDG's that we have identified as being most relevant to the climate and environment. These are:

- SDG 7–Affordable and Clean Energy
- SDG 9–Industry, Innovation, and Infrastructure
- SDG 11–Sustainable Cities and Communities
- SDG 13–Climate Action

We monitor and report on the alignment of each investment option (except for the Aurora Liquidity Fund) with the climate and environment related SDGs.

ADDITIONAL INFORMATION ON EXCLUDED COMPANIES

We exclude companies that we believe do more social or environmental harm than good. Excluded companies are associated with the business practices described in the following table, subject to those companies meeting certain business involvement criteria (which include revenue thresholds).

BUSINESS PRACTICE	BUSINESS INVOLVEMENT CRITERIA
Coal	Revenue from the extraction and sale of coal to external parties.
Evidence of fossil fuel reserves	Reserves are resources that are still in the ground. This is based on an estimate of carbon dioxide produced if a company's reserves of oil, gas, and coal were converted to energy. The worst 5% of potential carbon dioxide emitting companies, based on reserves, are excluded or underweighted from the eligible universe. This screening can be expected to reduce exposure to companies with reserves to close to zero.
Factory farming	>20% of revenue from sectors related to factory farming.
Palm oil	>20% of revenue from palm oil farming and/or palm oil processing.
Controversial weapons	Involvement in the manufacture of cluster munitions or anti-personnel mines or their key components, chemical and biological weapons, or depleted uranium ammunition and armour.
Nuclear weapons components, systems and support services	Involvement in the manufacture of components of nuclear weapons or systems that are capable of the delivery of nuclear warheads, or provision of support services related to nuclear weapons (such as the repair and maintenance of nuclear weapons).
Tobacco	Involvement in the production of tobacco products, or >10% of total revenue related to tobacco products.
Child labour	Involvement in severe controversies related to child labour practices.
Gambling	>10% of revenue from the ownership or operation of gambling facilities, or from the support or services to the gambling industry.
Adult entertainment	>10% of revenue from the production, distribution or retailing of adult entertainment products.
Personal firearms	Involvement in the manufacture of handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian (nonmilitary) use, or >20% of revenue from distribution of personal firearms.

The above exclusions are applied to the Aurora First Home Buyer Strategy, Aurora Conservative Fund, Aurora Balanced Strategy, Aurora Growth Fund, and the RetirementPlus Strategy.

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We acknowledge that within equities, there is a small risk of holding a small, immaterial exposure to environmental and sustainability concerns. However, we believe that this risk is more than offset by the diversification and investment benefits of holding these companies, on aggregate. Should Aurora hold a material exposure to a company with business involvement that exceeds the above stated thresholds or are inconsistent with investment philosophy, we will report the investment to members in the Quarterly Update, which is available on the website, and provide reasons for the exception and for maintaining the holding.

Responsible investing principles are also applied to the fixed interest component of Aurora Capital's portfolios, with a particular emphasis on investing for improved environmental outcomes. Aurora's global fixed interest allocation expresses social and environmental sustainability through investments that are 100% comprised of green bonds, social bonds, and sustainability bonds. The NZ fixed interest exposure accesses more traditional fixed interest securities and is managed in accordance with the same exclusion list provided above.

The Aurora Liquidity Fund accesses a very low risk underlying fund that only invests in New Zealand cash and cash equivalent securities, such as bank bills, floating rate notes and short-term deposits. This Fund excludes companies that the underlying fund manager believes is involved with the:

- Manufacture, maintenance or delivery of cluster munitions, anti-personnel mines, chemical or biological weapons
- Manufacture or testing of nuclear explosive devices (NEDs)
- Production and manufacture of, or essential or significant involvement in the distribution and sale of, tobacco
- Production of civilian firearms

Social and governance characteristics are also integrated into the Aurora Liquidity Fund's investment process where applicable.

IMPLEMENTATION OF RI APPROACH

All of Aurora Capital's funds under management are currently invested in pooled vehicles. We recognise that there are challenges in applying our exclusions to third-party pooled investments. However, we undertake substantial due diligence before appointing an investment manager and we closely review each manager's ESG, exclusions, and sustainability policies to ensure that there is alignment. We also focus on the calibre of the investment professionals; how the business is structured to ensure alignment with its clients; and the rigour of its investment process.

All of the fund managers selected by Aurora take ESG considerations into account and are signatories to the "Principles for Responsible Investment," established by the United Nations ("UNPRI"). The UNPRI aims to provide a consistent framework for reviewing business practices across industries and companies.

Any manager that we appoint must meet the standards of our Responsible Investment Policy and our Investment Manager Selection and Monitoring Policy.

AURORA CAPITAL'S RI PORTFOLIO MONITORING

We monitor the performance of the investment options and the underlying investment managers by reviewing both financial and non-financial performance. For more information on portfolio monitoring, please refer to Aurora Capital's Investment Manager Selection and Monitoring Policy, which is available on the Disclose Register.

REGISTER OF EXCEPTIONS

We undertake ongoing monitoring of the companies and securities in the portfolios to ensure compliance with our exclusions and Responsible Investing Policy. If we are invested in a company that does not meet our exclusions criteria, we will engage with the underlying investment manager to understand why they are invested in the company. If Aurora supports the investment manager's rationale for holding the company, we will add the company to the exceptions register and continue to monitor the investment.

If we don't support the reason for investing, we will actively engage and agitate with the manager to change their view on the company. As we are investing in pooled vehicles, we cannot direct the manager to sell the security. The company will be added to the exceptions register, with the disclosure that Aurora does not support the investment. If a manager continues to add excluded companies in their portfolio, we will terminate the manager.

Any new additions to the exceptions register will be reported by us in the Quarterly Update to members, which can be viewed on the Aurora Capital website.

REVIEW

Aurora's RI Policy will be reviewed at least annually and signed off by Aurora's Board.

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