

Silver Fern No.1 Fund

Environmental, Social and Governance (ESG) Policy

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1. Introduction

Silver Fern No.1 Fund ("the Fund") recognises the critical importance of Environmental, Social and Governance (ESG) factors in delivering sustainable long-term value to our investors, stakeholders, and the communities we serve. This ESG Policy outlines the principles, frameworks, and implementation procedures we apply across all investment activities.

Our approach aligns with global best practices, including the United Nations Principles for Responsible Investment (UN PRI), the New Zealand Government's sustainable finance values, and expectations outlined by regulatory authorities such as the Financial Markets Authority (FMA) and NZTE.

2. ESG Governance and Oversight

- The Fund's Investment Committee holds overall responsibility for ESG oversight, supported by a designated ESG Officer.
- The ESG Officer ensures implementation of ESG policy, conducts internal reviews, and coordinates external ESG reporting.
- ESG matters are reviewed quarterly by the Investment Committee and immediately in the case of material ESG incidents.

3. ESG Integration in Investment Process

ESG considerations are integrated throughout the investment lifecycle:

- Pre-investment: ESG due diligence conducted for every target, including risk screening, sectoral exclusions, and scoring.
- Investment decision: ESG findings are factored into approval decisions.
- Post-investment: ESG risks and opportunities are actively monitored and reported.

4. ESG Evaluation Framework

We evaluate ESG performance across three core pillars:

Environmental (E)	Social (S)	Governance (G)
Carbon footprint	Labour rights & safety	Board independence
Resource & waste management	Customer welfare	Shareholder protections
Climate risk exposure	Community engagement	Transparency & anti-corruption
Regulatory compliance	Human rights practices	Internal controls & audit integrity

All investment targets are scored based on:

- Current ESG performance (quantitative and qualitative)
- Improvement plans and ESG commitments

Scores are reviewed annually or upon triggering ESG events.

5. Exclusions Policy

The Fund does not invest in:

- Companies involved in the production or distribution of controversial weapons
- Pornography-related businesses
- Entities under UN, EU, OFAC, or NZ Police sanctions
- Sectors with systemic ESG violations, e.g. illegal deforestation or child labour

Additional sector-specific or client-requested exclusions may apply.

6. Stewardship and Engagement

We engage actively with investee companies to:

- Improve ESG transparency and performance
- Promote alignment with global sustainability standards
- Raise concerns and expectations through direct communication

For equity holdings, we exercise proxy voting rights in line with our ESG position.

7. Monitoring, Reporting and Transparency

- ESG performance is monitored using proprietary scoring tools and third-party datasets
- Key ESG metrics are reported quarterly to the Investment Committee
- Annual ESG Report will be made available to investors and stakeholders

8. Training and Internal Capacity

- Investment staff receive annual ESG training
- The ESG Officer circulates relevant updates and coordinates team alignment with emerging ESG risks and standards

9. Policy Review and Updates

This Policy is reviewed at least annually by the ESG Officer and approved by the Investment Committee.