

First Sentier Investors (NZ) Scheme

Statement of Investment Policy and Objectives

Investment Management by
First Sentier Investors (Australia) IM Ltd

Effective date: 13 April 2023
Issued by FundRock NZ Limited

A. Description of the managed investment scheme

The First Sentier Investors (NZ) Scheme ('Scheme') is a managed investment scheme. The Scheme has on offer one single sector investment fund, the First Sentier Responsible Listed Infrastructure Fund ('Fund') which provides investors with exposure to infrastructure securities.

The Fund is actively managed. The Fund invests in a globally diversified portfolio of infrastructure securities, with a focus on companies that the Investment Manager believes can contribute to or benefit from sustainable development.

B. Roles and responsibilities

FundRock NZ Limited ('FundRock') is the licensed manager ('Manager') of the Scheme. The Manager's key roles and responsibilities are:

- preparation of disclosure material;
- establishing, reviewing and maintaining this Statement of Investment Policy and Objectives ('SIPO') for the Scheme;
- the ongoing management and oversight of the Fund. This includes appointing, managing and monitoring specialist providers for:
 - fund administration and
 - investment management;
- monitoring investment performance and outcomes.

First Sentier Investors (Australia) IM Ltd ('First Sentier Investors' or 'Investment Manager') is the Scheme's investment manager and is responsible for deciding what the Fund invests in.

The Fund is invested in accordance with this SIPO and the investment philosophy stated below.

First Sentier Investors also participates in reviewing this SIPO.

BNP Paribas Funds Services Australasia Pty Limited ('BNP') is the custodian and administration manager. Apex Investment Administration (NZ) Limited ('Apex NZ') is the registrar.

Public Trust is the Scheme's Supervisor. The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- acting on behalf of the Fund's investors in relation to the Manager and any contravention of the Manager's issuer obligations;
- supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. BNP has been appointed by the Supervisor as Custodian for the Fund.

C. Investment philosophy

The Fund invests in the shares of high quality infrastructure companies that contribute to or benefit from sustainable development as determined under the Fund's investment process including the Sustainability Analysis referred to below. Through direct engagement with companies and relevant stakeholders, the First Sentier Responsible Listed Infrastructure team seek to understand key issues and effect change. They look for companies that are delivering sustainable solutions from an environmental, social and economic point of view. They believe that investing in this way may create opportunities for positive alpha generation and may lower the overall risk of a portfolio.

The team are conservative investors of their clients' capital, recognising that capital preservation is critical to achieving long-term capital growth. They focus on fundamental value and conduct thorough due diligence to minimise downside. They place strong emphasis on proprietary research and direct contact with companies and regulators.

The team invest in companies they believe to be quality companies. Real infrastructure assets with barriers to entry and pricing power are a good start. For infrastructure to deliver its full potential, the team also require management alignment, independent boards, appropriate gearing, transparent regulation and cultures which are working to sustain their licence to operate. The team seek to engage with companies to drive positive change.

The team believe investing in long-dated assets requires a long-term perspective. Since infrastructure assets are long-dated assets, it is important to understand both how they serve society now; and how they will continue to do so into the future. This understanding is key to valuing them appropriately and assessing stranded asset risk accurately. The market can take a short-term view, with day-to-day sentiment regularly overriding long-term fundamentals. This is where active management allows the team to capture mispricing.

D. Responsible Investment

The Manager has delegated investment management decisions for the Fund to the Investment Manager pursuant to the Investment Management Agreement. The Investment Manager takes into account labour standards and environmental, social and ethical considerations for the purpose of selecting, retaining or realising investments through the investment process, which includes the sustainability analysis, and the avoidance of harmful products and services as described below.

The Investment Manager is part of First Sentier Investors. The Investment Manager takes an integrated and holistic approach to embedding Responsible Investment ('RI') principles in its investment processes and business practices.

This approach is focused on three pillars of activity: investment quality, stewardship, and employee engagement, learning and development – all overseen and informed by a strong governance framework. Each year the Investment Manager publishes a responsible investment and stewardship report which outlines its progress in these areas and profiles each of the investment team's approaches to responsible investment. You can obtain a copy of this report on the Investment Manager's website at www.firstsentierinvestors.com/nz/en/adviser/responsible-investment/responsible-investment-reports-and-policies.html.

The Fund's approach to Environmental, Social and Governance ('ESG')

ESG factors are taken into account in the selection, retention or realisation of investments in the Fund, but the extent to which any one of these factors is considered for any particular investment decision will vary at the discretion of the Investment Manager when managing this Fund, and in certain circumstances, the Investment Manager may not consider these factors to be relevant to a particular investment decision. The ESG approach for this Fund may differ to other funds managed by the Investment Manager.

Investment process:

The First Sentier Responsible Listed Infrastructure Fund is managed using an active, bottom-up process of stock selection¹, with an overarching focus on sustainable development and ESG-related criteria.

1. The Investment Manager considers that 'active management' means that the benchmark is not used to limit or constrain how the Fund's portfolio is constructed. In relation to the Fund, the term 'bottom-up' refers to the Investment Manager's approach of focusing primarily on company fundamentals before considering broader macroeconomic themes when making investment decisions.

The Fund's investment process places equal emphasis on asset quality and stock valuations. Value is determined using detailed financial models. Quality is determined by a 25-point score which seeks to minimise downside by assessing significant areas of risk - from politics, regulation and customer satisfaction to leverage, management incentives and board independence. Value and Quality results are peer reviewed to reduce analyst bias. These results, along with the Sustainability Analysis described below, underpin the Investment Manager's stock selection and portfolio construction process.

Sustainability analysis:

Analysis of a company's ESG and sustainability-related credentials is undertaken in three ways. First, the infrastructure stocks that the Investment Manager analyses and researches are ranked using a weighted combination of only the sustainability elements of each company's Quality score; namely - Environmental, Social, Governance, Alignment of interests, Board and Disruption. This provides a clear and consistent framework for the Investment Manager's collective thoughts on sustainability-related criteria, to reference when stocks are being considered for inclusion within the portfolio.

Second, the Investment Manager seeks to identify companies that are contributing to, or benefitting from, sustainable development, guided by the United Nations Sustainable Development Goals ('SDGs'). The most relevant SDGs to infrastructure companies are SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action.

Third, the Investment Manager carries out company engagement via an ongoing process of outreach to companies, regulators and other stakeholders. This provides the Investment Manager with a way of driving change, as well as giving the Investment Manager a better understanding of how companies are performing. This enables the Investment Manager to push for better outcomes on an ongoing continual basis.

These steps provide the Investment Manager with a lens through which all investment decisions are made. As a result, the companies that the Fund invests in will, in the opinion of the Investment Manager, contribute to or benefit from sustainable development, as guided by the United Nations' Sustainable Development Goals.

Investments in companies that do not contribute to or benefit from sustainable development, in the opinion of the Investment Manager and as guided by the United Nations' Sustainable Development Goals will not be included within the portfolio.

Harmful Products and Services

In addition, the Fund aims not to invest in companies with material exposure to harmful products and services, or companies that fail to discharge their environmental stewardship and human rights responsibilities which may harm the achievement of the sustainable investment objectives.

The Fund also aims to ensure that the companies it invests in neither cause significant adverse social and environmental impacts, nor undermine other social and environmental sustainability objectives, and that the companies it invests in follow good governance practices.

The Investment Manager considers harmful products and services to include:

Environmental issues: Utilities that are materially involved in fossil fuels defined as companies where coal-fired generation assets represent more than 20% of their overall assets; or utilities with material generation assets whose carbon intensity - (as measured

by tons of carbon per MWh of electricity generated) - is not declining over rolling five year periods, or companies that do not operate in alignment with the Ten Principles of the UN Global Compact.

Social issues: Companies that are materially involved in gambling, pornography, animal testing (defined as companies that derive over 10% of revenue from these activities), companies with a poor track record in relation to globally accepted human rights, or companies that do not operate in alignment with the OECD Guidelines for Multinational Enterprises. Human rights and labour standards which are taken into account are modern slavery, child labour, land grants and indigenous rights.

Governance issues: Companies whose board structure reduces their effectiveness or level of independence, companies with a higher risk of government interference, or companies that fail to provide the requisite level of transparency in their business or financial statements.

In rare circumstances, the Fund may hold investments in companies that have a non-material exposure to certain harmful products and services. The Fund will only hold such investments in circumstances where if the company has strong ESG credentials overall, or if the company can demonstrate that it is taking tangible steps to improve the aspects deemed to be harmful.

In addition, the Fund does not invest in companies that are involved in, or that derive any of their revenue from, the manufacture of controversial weapons including nuclear weapons; or the production of tobacco or tobacco-alternatives products.

Divestment

The Investment Manager may divest securities for several reasons. Firstly, the mispricing of the security is substantially eliminated due to price appreciation. Secondly, deterioration in a company's fundamentals will have an adverse flow-on impact to its quality and/or value ranking within the investment process. Thirdly, the company's ability to contribute to or benefit from sustainable development is diminished.

In the third case, the First Sentier Responsible Listed Infrastructure team will actively engage with the relevant company, in accordance with the commitments made under First Sentier Investors' Responsible Investment and Stewardship Policy and Principles.

Where engagement is unsuccessful, the issue may be escalated by:

- wider engagement with other investors;
- writing to or meeting with the chairperson or lead independent director;
- voting against directors they feel are not providing appropriate oversight; or
- making our views public.

If an appropriate response is not received from the company, and the Investment Manager forms the view that the company no longer contributes to or benefits from sustainable development as guided by the United Nations' Sustainable Development Goals, the Investment Manager will consider divestment.



CERTIFIED BY RIAA

Responsible Investment Association Australasia's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the First Sentier Responsible Listed Infrastructure Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia ('RIAA'). Detailed information about RIAA, the Symbol and the First Sentier Responsible Listed Infrastructure Fund's methodology, performance and stock holdings can be found at www.responsibleinvestments.co.nz, together with details about other responsible investment products certified by RIAA.¹

E. Fund Investment Objectives and Strategies

First Sentier Responsible Listed Infrastructure Fund

The investment objectives and strategy of the Fund are:

Objectives

The Fund aims to achieve capital growth and inflation-protected income by investing in a globally diversified portfolio of infrastructure securities, with a focus on companies that the Investment Manager believes can contribute to or benefit from sustainable development. The Fund aims to outperform the FTSE Developed Core Infrastructure ex – Pipelines Net Total Return Index (NZD hedged), after fees and expenses, but before investor taxes, over rolling five year periods².

Investment Strategy

The Fund invests in shares of listed companies around the world that own or operate infrastructure assets. The infrastructure sector includes operating assets from the transport, utilities, energy and communications sectors. The assets held by these companies typically offer high barriers to entry, pricing power, and structural growth. The strategy is based on active, bottom-up security selection which seeks to identify mispricing. The Fund seeks to minimise risk through on-the-ground research, an emphasis on quality, and sensible portfolio construction. The Fund focuses on infrastructure companies that are delivering sustainable solutions from an environmental, social and economic point of view; and that are seeking to contribute to, or benefit from sustainable development as described in section D.

Benchmark index

FTSE Developed Core Infrastructure ex – Pipelines Net Total Return Index (NZD hedged)³

Target investment mix

- 2% Cash and cash equivalents
- 98% International equities (listed infrastructure securities)

Asset allocation ranges⁴:

- 0%-10% Cash and cash equivalents
- 90%-100% Listed infrastructure securities

Appointed investment manager:

- First Sentier Investors (Australia) IM Ltd

Permitted investments:

- Cash and cash equivalents
- Equities listed on recognised international securities exchanges, including ordinary shares, preference shares, American depositary receipts ('ADRs'), real estate investment trusts ('REITs'), Master Limited Partnerships ('MLPs'), stapled securities
- IPOs, Reg S securities and 144A securities
- Forward currency contract derivatives (for the purposes of currency hedging)

Rebalancing policy:

- There is no rebalancing policy.

Currency policy:

- The Fund is hedged to New Zealand dollars using forward currency contract derivatives.

Other

- No holding may exceed 10% of the Fund's net asset value ('NAV')
- The number of stocks to be held by the portfolio is typically between 35 – 45, but the minimum number required is 20.
- The Fund will not acquire more than 5% of the issued capital of any one company.
- The Fund is not permitted to invest in stocks with a market capitalisation of less than US\$500 million.
- The Fund invests in infrastructure companies. These companies are typically included in, but not limited to, the following sectors: energy storage and transportation, airport services, highways and rail tracks, railroads, marine ports and services, waste management, mobile towers and data centres, and multi/electric/gas/water utilities.
- The Fund may invest in companies located anywhere in the world. The Fund's exposure in aggregate to countries not in the OECD must not exceed 20%.
- The Fund's holdings of unlisted securities must not exceed 10% of the Fund (including IPO's which are expected to be listed within 12 months).
- The Fund may utilise FX forwards and Non-Deliverable Forwards for the purpose of currency hedging.
- Short selling is not permitted.

F. Investment Policies

Taxation policy

The Fund has elected to be a Portfolio Investment Entity ('PIE') and is therefore taxed under the PIE regime.

At the date of this document, the Fund calculates the taxable income accruing from investments in global shares listed outside of New Zealand and Australia, and forward currency contracts used for the purposes of currency hedging, using the Fair Dividend Rate method.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

1. The Responsible Investment Certification Program 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. RIAA does not hold a Financial Services Licence.

2. The investment objective is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the longer term on the assumption that equity markets remain relatively stable throughout the investment term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

3. The benchmark is not used to limit or constrain how the Fund's portfolio is constructed.

4. The investment allocation is only a target, actual allocations can change within the ranges significantly and sometimes quickly.

Liquidity policy

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests in liquid investments and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems the Manager may suspend redemptions for a period of time.

Related-party transactions

Related-party transactions, other than the type described below are prohibited.

Parties related to the Fund, including the staff of First Sentier Investors and their families, and the staff of FundRock and their families may from time to time invest in the Fund. The Manager will report such transactions by related parties to the Supervisor in accordance with section 173(2) of the Financial Markets Conduct Act 2013 ('FMC Act').

Trade allocations and transactions

As the Fund invests directly in securities, and the Investment Manager trades the same securities for other portfolios it manages which have a similar investment philosophy, the Investment Manager has best execution and brokerage processes governing their investment management activity on behalf of the Fund.

The First Sentier Responsible Listed Infrastructure investment team does not utilise soft dollar arrangements.

Other relevant policies

Summaries of the other key relevant policies are set out below.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical, our goals are to:

- have unit prices that reflect fair, realisable value of underlying assets and liabilities;
- ensure equitable treatment of investors entering, exiting or remaining in the Fund;
- have a consistent and objective process for determining unit prices; and
- comply with our governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

The Conflicts of Interest and Related Party Transaction Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies to all of FundRock's directors, relevant officers, senior management and employees.

The Conflicts of Interest and Related Party Transactions Policy provides guidance on:

- what is meant by a conflict of interest; and
- what constitutes a related party transaction.

The core policy statement is:

'As a licensed manager of Managed Investment Schemes, the Manager must act honestly and in the best interests of the Scheme participants. The Manager recognises that in order to satisfy this duty, it and its staff members must put the interests of its customers ahead of those of itself or of the staff members.'

Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- investment management governance,
- investment manager selection and appointment, and
- investment manager monitoring and compliance.

G. Performance monitoring

FundRock monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- gross return;
- net of fees and gross of tax at an assumed 28% PIR;
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of gross return¹;
- annualised standard deviation of benchmark index return¹; and
- annualised tracking error¹.

FundRock reports investment performance to the Supervisor and to the FundRock Board.

The FundRock Board has responsibility for oversight of all aspects of investment manager performance. The FundRock Board aims to meet at least quarterly.

¹ Standard deviations and tracking error calculated based on monthly returns.

H. SIPO monitoring and review

The FundRock Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. SIPOs are reviewed annually by FundRock management, including ensuring the investment strategy and asset allocation ranges remain appropriate, with the outcomes of the review reported to the FundRock Board. In addition, FundRock management may initiate an ad hoc review, with examples of events that could lead to this being:

- The investment manager recommending changes to the SIPO;
- A change in roles and responsibilities; and
- A permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO at any time in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require FundRock Board approval, as well as written approval of the Supervisor.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the FundRock Board and the Supervisor.

This SIPO was approved by the FundRock Board on 12 April 2023 and takes effect on 13 April 2023.

This SIPO is subject to change from time to time without notice to investors (provided written notice is given to the Supervisor). The Manager will give notice to Fund investors before implementing any material SIPO changes and all SIPO changes will be advised in the annual report for the Scheme. The most current version of this SIPO is available on the Disclose Register at www.companiesoffice.govt.nz/disclose.