PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Harbour Asset Management

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	-	n/a							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

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PRI Principles for Responsible Investment

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Private	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	🔒	n/a	✓						
LEI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
LEI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Private	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	-	n/a	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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PRI Principles for Responsible Investment

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
FI 02	Breakdown of investments by credit quality	✓	Private							✓
FI 03	Description of ESG incorporation	✓	Private	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Private	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	🔒	n/a	✓						
FI 11	Review of ESG issues while researching companies/sectors	🔒	n/a	✓						
FI 12	Processes to ensure integration is based on robust analysis	🔒	n/a	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Private		✓					
FI 20	Engagement with government issuers	✓	Private		✓					

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PRI Principles for Responsible Investment

Harbour Asset Management

Reported Information

Public version

Organisational Overview

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PRI Principles for Responsible Investment

Basic Information

OO 01 | Mandatory | Gateway/Peering | General

OO 01.1 Select the services you offer.

☑ Fund management

% of assets under management (AUM) in ranges

- ○ <10%
- ○ 10-50%
- ◉ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

New Zealand

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ◉ 1
- ○ 2-5
- ○ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

11.5

OO 03 | Mandatory | Descriptive | General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04 | Mandatory | Gateway/Peering | General

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PRI Principles for Responsible Investment

OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		1	300	000	000
Currency	NZD				
Assets in USD		1	016	079	516

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

○ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

◉ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 | **Mandatory** | **Descriptive** | **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

◉ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	>50%	0
Fixed income – corporate	10-50%	0
Fixed income – government	10-50%	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0

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Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

Gateway asset class implementation indicators

OO 10 | **Mandatory** | **Gateway** | **General**

OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☑ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We engage with companies on ESG issues via our staff, collaborations or service providers

☑ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 11 | **Mandatory** | **Gateway** | **General**

OO 11.1 Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

☑ Fixed income – corporate

☑ Fixed income – government

☐ None of the above

OO 12 | **Mandatory** | **Gateway** | **General**

OO 12.1 The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

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Direct - Listed Equity incorporation

☑ Listed Equity incorporation

Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Direct - Fixed Income

☑ Fixed Income - Corporate

☑ Fixed Income - Government

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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PRI Principles for Responsible Investment

Harbour Asset Management

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1

Indicate if you have a responsible investment policy.

- (●) Yes
- ( ) No

OA 01.2

Indicate if you have other guidance documents or more specific policies related to responsible investment.

- (●) Yes
- ( ) No

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PRI Principles for Responsible Investment

OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Harbour is a client focused, research driven investment manager. Our combination of quantitative, macro-economic and fundamental analysis across both equity and fixed interest markets is dedicated to producing superior investment results.

As part of our engagement process Harbour recognises there are many factors that influence our analysis, and that environmental, social and governance (ESG) considerations have grown in significance as potential value drivers. As a result we were early signatories of the United Nations Principles for Responsible Investment (UNPRI).

Harbour believes that ESG factors can be a useful barometer of the quality of a company. Companies who manage ESG issues well are more likely to create long term shareholder value, with a reduced risk profile, compared with those companies who do not. Consequently Harbour has integrated ESG factors directly into portfolio analysis. ESG factors are assessed in conjunction with existing comprehensive financial analysis. Our primary ESG tool is our proprietary Corporate Governance Survey, which we augment with external ESG specialists and broker research.

Corporate Governance Survey

As an integral part of our investment process, we undertake an annual Corporate Governance Survey (CGS) of all the New Zealand stocks we invest in, covering all aspects of ESG, plus further analysis of senior management/board practices. We actively engage with management and monitor both absolute and relative ratings within our investment universe. The company's CGS rating is also an important consideration in Harbour's equity proxy voting policy.

While we have actively incorporated our survey into our investment process, we are still analysing its ability to add value on a purely quant basis. To date, we have found it more valuable as a tool to engage with management and as a screen to indentify "avoid" situations, as opposed to actively adding alpha to the portfolio. Furthermore, we have not restricted companies from our investment universe solely based on their CGS score; rather we seek to constructively engage with companies to encourage ongoing improvement in CGS practices in the business community.

Harbour is also currently a signatory to the Carbon Disclosure Project (CDP) and the CDP Water Disclosure 2012 Project.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.1	Indicate if your responsible investment policy is publicly available.

◉ Yes

OA 02.2	Provide a URL to your responsible investment policy.

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PRI Principles for Responsible Investment

	URL

http://www.harbourasset.co.nz/investment-philosophy/

○ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.

○ Yes

◉ No

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach	○ Applicable policies cover all AUM
☑ (Proxy) voting policy	◉ Applicable policies cover a majority of AUM
☑ Engagement/active ownership policy	○ Applicable policies cover a minority of AUM
☐ Specific guidelines on corporate governance	
☐ Specific guidelines on environmental issues	
☐ Specific guidelines on social issues	
☐ Asset class-specific guidelines	
☐ Screening/exclusion policy	
☐ Other, specify	
☐ Other, specify	

OA 04	Mandatory	Core Assessed	General

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

○ Yes

◉ No

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OA 04.3 Additional information. [Optional]

The ESG factors feeds directly into our quant process and are an integral component of the score derived for every stock in our investable universe. However, we do not run an exclusion policy and therefore a "bad" ESG score can be overridden by other factors. As we noted earlier we use our Corporate Governance Survey to encourage corporates to adopt best practice but again there is no exclusion list per sa. The decision for investment is at the discretion of the respective portfolio manager.

Objectives and strategies

OA 05 | **Mandatory** | **Gateway/Core Assessed** | **General**

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

- (●) Yes

  OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

  - (●) At least once per year
  - ( ) Less than once per year

  OA 05.3 Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

  - ( ) Quarterly
  - ( ) Biannually
  - (●) Annually
  - ( ) Every two years or less
  - ( ) It is not reviewed

- ( ) No

OA 05.4 Additional information. [Optional]

The Corporate Governance Survey must be completed annually (more often if there is a specific company event) for all the stocks in our New Zealand stock universe, and the third party data updated monthly for our Australian universe. The data is examined annually to ensure consistency and accuracy and ensure it remains relevant.

In addition all correspondence with companies on RI initiatives are collected and reported to the Board and those clients who request the service on a quarterly basis.

Governance and human resources

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OA 08	Mandatory	Gateway/Core Assessed	General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

	Roles present in your organisation

- ☑ Board members or trustees
  - ☐ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☑ No oversight/accountability or implementation responsibility for responsible investment
- ☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☑ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☑ Portfolio managers
  - ☑ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☑ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☑ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Dedicated responsible investment staff
- ☑ External managers or service providers
  - ☐ Oversight/accountability for responsible investment
  - ☑ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify
- ☐ Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number
	0

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OA 08.3	Additional information. [Optional]

We are a small organisation (12 staff) and RI is an integral part of our investment process. as such all investment professionals are directly involved in its implementation. The Board is provided updates on a quarterly basis, but oversight stops with our CEO, who is also our senior portfolio manager.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

OA 10.1 Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2 Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

☐ Asian Corporate Governance Association

☐ Association for Sustainable & Responsible Investment in Asia

☐ Australian Council of Superannuation Investors

☑ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

☑ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

☑ CDP Water

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PRI Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

☐ CFA Institute Centre for Financial Market Integrity

☐ Council of Institutional Investors (CII)

☐ Eumedion

☐ Extractive Industries Transparency Initiative (EITI)

☐ Global Investors Governance Network (GIGN)

☐ Global Real Estate Sustainability Benchmark (GRESB)

☐ Institutional Investors Group on Climate Change (IIGCC)

☐ Interfaith Center on Corporate Responsibility (ICCR)

☐ International Corporate Governance Network (ICGN)

☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)

☐ Investor Network on Climate Risk (INCR)/CERES

☐ Local Authority Pension Fund Forum

☐ Principles for Responsible Investment

☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

NZ Corporate Governance Group - Chaired by NZ Superannuation Fund

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Informal body trying to establish a lobby group amongst local asset owners and managers. Participated in initial meetings and involved in ongoing dialogue.

☑ Other collaborative organisation/initiative, specify

Institute of Financial Advisors - RI Briefing

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	Your organisation's role in the initiative during the reporting year (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Attending and promoting Harbour's RI philosophy to financial planners.

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

○ No

OA 11	Mandatory	Core Assessed	PRI 4

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☐ Spoke publicly at events and conferences to promote responsible investment

☐ Wrote and published in-house research papers on responsible investment

☐ Encouraged the adoption of the PRI

☐ Other, specify

○ No

OA 11.3	Additional information. [Optional]

As noted earlier, we actively engage with company management as part of our Corporate Governance Survey to encourage adoption of best practice with regards to RI and also seek to achieve this through our voting both at an individual and collaborative level.

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Direct - Listed Equity Incorporation

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PRI Principles for Responsible Investment

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1

LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☑ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	% 100

- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

As one of our quantitative investment components, we believe that ESG factors are undoubtedly important, and while we do see potential long term gains from companies with strong ESG, we would prefer to engage with companies exhibiting investment potential and weak ESG and an ongoing dialogue, rather then use a screening process to immediately exclude them from our investment universe. Thus, we consider an integrative, engagement ESG strategy is the most appropriate for Harbour.

(C) Implementation: Integration of ESG issues

LEI 11	Mandatory	Core Assessed	PRI 1

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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	◉ We systematically review the potential significance of environmental issues and investigate them accordingly ○ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	◉ We systematically review the potential significance of social issues and investigate them accordingly ○ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	◉ We systematically review the potential significance of corporate governance issues and investigate them accordingly ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]

Our corporate governance survey reviews ESG issues for each investable company on an annual basis.

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6

LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

◉ We disclose it publicly

	Provide URL

http://www.harbourasset.co.nz/investment-philosophy/

LEI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

◉ Yes

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LEI 18.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- ◉ Broad approach to ESG incorporation
- ○ Detailed explanation of ESG incorporation strategy used

LEI 18.4 Indicate how frequently you typically report this information.

- ○ Quarterly or more frequently
- ◉ Between quarterly and annually
- ○ Less frequently than annually
- ○ Other, specify

- ○ No

- ○ We disclose it to clients and/or beneficiaries only
- ○ We do not proactively disclose it to the public and/or clients/beneficiaries

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PRI Principles for Responsible Investment

Harbour Asset Management

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 02	Mandatory	Gateway	PRI 1,2,3

LEA 02.1 Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	☑ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☐ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2

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LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- ○ Yes
- ◉ No

LEA 04	Mandatory	Core Assessed	PRI 2

LEA 04.1	Indicate if you define specific objectives for your engagement activities.

- ◉ Yes
  - ○ Yes, for all engagement activities
  - ◉ Yes, for the majority of engagement activities
  - ○ Yes, for a minority of engagement activities
- ○ No

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.

- ◉ Yes
  - ○ Yes, in all cases
  - ◉ Yes, in the majority of cases
  - ○ Yes, in the minority of cases

LEA 04.3	Describe how you monitor and evaluate the progress of your engagement activities.

In most instance where we have actively lifted engagement beyond talking with management, it normally involves writing to the Board. We monitor their response to our correspondence.

- ○ No

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2

LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- ○ Yes
- ◉ No

LEA 06	Mandatory	Core Assessed	PRI 2

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LEA 06.1	Indicate if the collaborative engagements in which you are involved have defined objectives.

◉ Yes

- ◉ Yes, for all collaborative engagement activities
- ○ Yes, for the majority of collaborative engagement activities
- ○ Yes, for a minority of collaborative engagement activities

○ No

LEA 06.2	Indicate if you monitor the actions companies take following your collaborative engagements.

◉ Yes

- ◉ Yes, in all cases
- ○ Yes, in the majority of cases
- ○ Yes, in the minority of cases

LEA 06.3	Describe how you monitor and evaluate the progress of your collaborative engagement activities.

Collaborative engagement in the NZ market is relatively rare and is normally associated with clear objectives. Hence the process is monitored and evaluated due to its importance.

○ No

General processes for all three groups of engagers

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2

LEA 10.1	Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements
Collaborative engagements	○ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ◉ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

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Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

- ○ We disclose it publicly
- ◉ We disclose it to clients and/or beneficiaries only

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☑ Number of engagements
- ☑ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☑ An assessment of the current status of the engagement
- ☑ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA 15.4 Indicate how frequently you typically report engagements information

- ○ Disclosed continuously (prior and post engagements)
- ◉ Disclosed quarterly
- ○ Disclosed annually
- ○ Disclosed every two years or less
- ○ Other, specify

- ○ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2

LEA 17.1 Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

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Approach

○ We use our own research or voting team and make our own voting decisions without the use of service providers.

◉ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

○ the service provider voting policy signed off by us

◉ our own voting policy

○ our clients requests or policy

○ other, explain

○ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf.

LEA 21	Mandatory	Core Assessed	PRI 2

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

◉ Yes, in most cases

○ Sometimes, in the following cases:

○ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2 Additional information. [Optional]

Where-ever possible we communicate with the company prior to voting if there is any voting against resolutions.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

◉ We do track or collect this information

Votes cast (to the nearest 1%)

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%

100

Specify the basis on which this percentage is calculated

- ◉ of the total number of ballot items on which you could have issued instructions
- ○ of the total number of company meetings at which you could have voted
- ○ of the total value of your listed equity holdings on which you could have voted

○ We do not track or collect this information

Communication

LEA 26 | Mandatory | Core Assessed | PRI 2,6

LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

- ○ We disclose it publicly
- ◉ We disclose it to clients/beneficiaries only

LEA 26.3 Indicate the voting information your organisation proactively discloses to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ○ All voting decisions
- ◉ Some voting decisions
- ○ Only abstentions and opposing vote decisions
- ○ Summary of votes only

Indicate what level of explanation you provide

- ○ Explain all voting decisions
- ○ Explain some voting decisions
- ◉ Only explain abstentions and votes against management
- ○ No explanations provided

LEA 26.4 Indicate how frequently you typically report voting information.

- ○ Continuously (primarily before meetings)
- ○ Continuously (soon after votes are cast)
- ◉ Quarterly or more frequently
- ○ Between quarterly and annually
- ○ Less frequently than annually
- ○ Other, specify

○ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

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PRI Principles for Responsible Investment

Harbour Asset Management

Reported Information

Public version

Direct - Fixed Income

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PRI Principles for Responsible Investment

ESG incorporation in actively managed fixed income

Fixed Income - Corporate

Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1

FI 04.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

☑ Screening alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	% 100

☐ Thematic alone (i.e. not combined with any other strategies)

☐ Integration alone (i.e. not combined with any other strategies)

☐ Screening + Integration strategies

☐ Thematic + integration strategies

☐ Screening + thematic strategies

☐ All three strategies combined

☐ No incorporation strategies applied

Total actively managed fixed income - corporate

100%

FI 04.2

Describe your primary reasons for choosing a particular incorporation strategy.

Given the asymmetric payoff inherent in fixed interest securities, we are more comfortable excluding companies with significant ESG risks rather than attempting to subjectively quantify the potential costs. However, we believe there is a spectrum between screening and integration strategies based on how mechanistic a screen is. Because our exclusion screen is based on judgement it has similarities with an integration strategy.

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(A) Implementation: Screening

FI 06	Mandatory	Descriptive	PRI 1

FI 06.1

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

Type of screening

☑ Negative/exclusionary screening

Screened by

☑ Product
☑ Activity
☑ Sector
☐ Country/geographic region
☑ Environmental and social practices and performance
☑ Corporate governance

Description

We screen by our in-house determined exclusion score. This is based on our assessment of whether any of the above have created a material ESG risk that the company has not adequately adjusted for.

☐ Positive/best-in-class screening
☐ Norms-based screening

FI 06.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The exlusion score, on which the screen is based, is subjective and is based on team values that are discussed when we review an issuer (we periodically work through our universe of issuers) and at formal credit meetings.

FI 07	Mandatory	Core Assessed	PRI 1

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FI 07.1	Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

☐ Comprehensive research is undertaken or sourced to determine issuers' ESG performance

☐ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies

☐ External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar

☐ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies

☐ A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions

☑ A periodic review of the quality of the research undertaken or provided is carried out

☐ Other, specify

☐ None of the above

Fixed income - Government

FI 13	Mandatory	Core Assessed	PRI 1

FI 13.1	Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.

◉ Yes

FI 13.2	Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.

○ <10%

○ 10-50%

○ 51-90%

◉ >90%

FI 13.3	Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.

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ESG issues	Coverage/extent of review on these issues
Environmental	○ We systematically review the potential significance of environmental issues and investigate them accordingly ◉ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	○ We systematically review the potential significance of social issues and investigate them accordingly ◉ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	○ We systematically review the potential significance of corporate governance issues and investigate them accordingly ◉ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

FI 13.4 Describe your approach to incorporating ESG issues in government fixed income investments. [Optional]

We follow much the same process with government securities (including local government) as we do with corporate bonds. Here we are mindful that local governments can face significant environmental issues.

○ No

Communication

FI 18 | **Mandatory** | **Core Assessed** | **PRI 2,6**

FI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

○ We disclose it publicly

○ We disclose it to clients/beneficiaries only

◉ We do not proactively disclose it to the public and/or clients/beneficiaries

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