

## Minimum Standards for inclusion in a Moneyworks Portfolio

### Minimum standards for inclusion in Moneyworks Portfolios as at 9<sup>th</sup> May 2023

**This is a living document and will be continually updated as we engage with and research our fund managers.**

The minimum criteria will continue to evolve, and we will have a wish-list of things that we want from fund managers, and want to see them working on. It is our responsibility to actively engage with the fund managers to achieve those outcomes.

Standard - Ethical	Hybrid	Ethical	KiwiSaver
Accessibility to Moneyworks for information and engagement	Minimum criteria as outlined in Additional Information (1)	Minimum criteria as outlined in Additional Information (1)	Minimum criteria as outlined in Additional Information (1)
Active Engagement Register or commentary available ideally with outcomes (could be in impact report)	Preferable, but not a minimum	Minimum requirement	Preferable, but not a minimum
B Corp	N/A	Nice to have	Nice to have
Carbon Emissions Reporting	Preferable, required by 01/01/2025, working towards	Preferable, required by 01/01/2025, working towards	Preferable, required by 01/01/2025, working towards
Contribution of Fund Manager to the community	N/A	Nice to have	Nice to have
Formal Framework for ethical analysis	Preferable	Minimum requirement	Preferable
Impact or Sustainability Reporting annually - metrics	Preferable	Preferable, but working towards minimum requirement	Preferable
Impact or Sustainability Reporting annually - report	Preferable	Minimum requirement	Preferable
Impact or Sustainability Reporting in monthly reports	Preferable	Preferable, but working towards minimum requirement	Preferable
Mapping to SDG's	Nice to have	Preferable, but working towards minimum requirement	Nice to have

Mindful Money Screening maximum score of the portfolio <sup>1</sup>	7.50%	4.00%	5.00%
Performance relative to peers on internal Morningstar tracking	See Additional Information (8)	See Additional Information (8)	See Additional Information (8)
Proxy Voting reporting on Website or in impact report	Preferable, but not a minimum	Minimum requirement	Preferable, but not a minimum
RIAA Certification	Not applicable	Minimum or a suitable plan to get there	Preferable, but not a minimum
RIAA Leader	Not applicable	Working towards	Working towards
Thought leadership – blog, newsletter articles, webinars, communicated to advisers and not just retail clients	Minimum requirement	Minimum requirement	Minimum requirement
Transparency of information (commentary on nasties in MM)	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.	Require an answer within three weeks of query being sent – based on a minimum threshold of the materiality of the holding.
UNPRI Membership	Minimum	Minimum	Minimum

**Additional Information - This document is to be used in conjunction with the following notes and comments:**

**1. Accessibility to Moneyworks**

This standard incorporates the following criteria:

- a. Proportionality – all of the following criteria are to be considered in light of the size of Moneyworks investments with that particular fund, and the size of the fund manager (eg Capital, don't realistically expect to get to speak directly to a Portfolio Manager, this will be through investment specialists).
- b. Access to Portfolio Managers. We anticipate that our queries will be answered clearly and in a timely manner by the Portfolio Manager (anticipate that this will be through an Investment Specialist or BDM initially).
- c. Access to ESG investing specialists – anticipated that we will have direct access through email, personal contact on a proportionate basis. We anticipate that our queries will be answered clearly and in a timely manner.
- d. Access to updated portfolio information in a timely manner (within 40 days of the end of the quarter for recommended investments).
- e. Engagement directly will be on a minimum of an annual basis, preferably in person on a targeted programme (eg trip to Australia 1x year, visits to New Zealand fund managers preferably grouped, so that it is easier to compare answers and keep consistency.)

<sup>1</sup> Subject to a 'logic check' where we are satisfied that there are valid reasons for the higher score (to prevent this being a trigger for us to have a high turnover of fund managers in our portfolio if a fund managers 'nasties' go over this score).

- f. KiwiSaver managers may be a desk based review only (based on their preparedness to engage and the lack of flexibility available to us with suitable KiwiSaver managers).
- g. Annual Project. We aim to form a core project to engage with our fund managers annually, as we don't wish to waste their time. We will send them our questions in advance, so that everyone can make the best use of the time. We get better responses when we have prepared well.
- h. Index funds. Where there is no active fund manager, we need to fully understand the index building and review methodology and set up a process for continual review and update when changes are made.
- i. Time period of response will depend on the situation.
- j. Different standards for Ethical and Hybrid information.

## **2. Active Engagement register or commentary available ideally with outcomes attached.**

We recognise that outcomes may be commercially sensitive and the published information is likely to be historic. However, we anticipate that fund managers will provide us with information when we are actively engaging with them, as proof of impact of active engagement, even if information is not permitted to be released publicly. **This information may be provided in the impact/sustainable/ESG annual reports.**

## **3. Carbon emissions reporting**

The legal requirements will be changing significantly because of TCFD for larger fund managers over the next 3 years. We will encourage other fund managers to follow suit as more information will be available. The goal is to get some consistency from our fund managers of the reporting framework and metric, so that we can pass this information down to a client level, calculating individual carbon emissions.

## **4. Impact/Sustainability reporting (three categories – metrics, reporting and monthly)**

This is a developing category, little consistency of reporting at present where there is reporting. Moneyworks will work with fund managers to encourage them to build towards such reporting.

## **5. Mapping to SDG's**

Preferable for the fund managers to have this in place, or be working towards this, or have a good rationale as to why not or why they don't think that this is applicable.

## **6. RIAA Certification/Leadership**

Moneyworks to encourage fund managers to work towards RIAA Certification and then RIAA Leaders.

## **7. Thought Leadership**

Moneyworks realise that active engagement and encouragement of fund managers may be required to ensure that good quality thought leadership is available for advisers, and not just retail clients, and that this is communicated to advisers, and we don't have to go hunting for it on the fund managers website.

**8. Performance vs Peers**

Over 5 and 10 year time frames, top quartile on our internal monitoring worksheets

Over 3 year time frames, top half on our internal monitoring worksheets.

Shorter than 3 years, monitored for negative trends, but too short to make a comparison for decision making.

**Portfolio Diversification**

1. Asset Classes
2. Geographic were applicable
3. Income Generating
4. Ethical Areas of focus

**Ethical Areas of Focus (to be developed)**

Climate	People
Governance	
Waste	
Water	
Energy	
Social	

<b>Standard – Non Ethical</b>	<b>Hybrid</b>	<b>Ethical</b>	<b>KiwiSaver</b>
Fees, performance fees			
Performance vs peers			
Alpha added by active management - Can an index fund replicate the strategy (particularly if fund is low turnover and active)			
Available on OAPs or FNZ or Available in NZ			
Diversification			
Asset class covered			

**Notes for future discussions with Fund Managers**

1. How do you analyse and assess the concentration of shareholdings? Eg, is the company widely held (where your vote can have an impact), or are there controlling shareholders (founder owners, large investors, state)? How do you deal with the situation if there are controlling shareholders?
2. How do you analyse and assess the linking of compensation in companies to ESG goals? How do you link ESG goals with your remuneration of staff?