



**Pathfinder**

Invest Ethically

Pathfinder Asset Management

**Sustainability  
Report 2021**

# Certifications, Memberships and Awards

## Certifications and Memberships

Signatory of:



## Awards



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Pathfinder Asset Management Limited is the issuer of the Pathfinder KiwiSaver Plan and Pathfinder Investment Funds. Product Disclosure Statements for the offers are available at [www.path.co.nz](http://www.path.co.nz)

# OUR STORY

Thank you for reading our first Pathfinder Sustainability Report.

We are proud to lead the way in producing transparent and meaningful disclosures that explain how Pathfinder and the funds we manage are tracking towards achieving our sustainability and return goals.

## OUR JOURNEY TO DATE

- 2009**  
Pathfinder founded by John Berry and Paul Brownsey
- 2010**  
Launch of our first ethical Fund – the Global Water Fund. Pathfinder first joins UNPRI
- 2011**  
Pathfinder first sponsors Responsible Investment Association of Australasia (RIAA) conference
- 2012**  
Pathfinder funds under management reach \$50 million
- 2013**  
Global Fund Water returns 29% for the year
- 2014**  
Pathfinder's first strong industry advocacy (fair fee structures in NZ retail funds)
- 2015**  
First ethical investment mandate for a large private client (Tailorspace)
- 2016**  
Start of Pathfinder's industry advocacy around financial adviser duties to clients (which subsequently led to John being appointed to a government working group)
- 2017**  
Pathfinder re-joins as signatory to UNPRI
- 2018**  
Hire ESG specialist into the investment team
- 2019**  
Launch KiwiSaver and achieve B Corp Status  
-  
Sale of half of Pathfinder to Alvarium/Tailorspace
- 2020**  
Winner of the Research IP/Good Returns 'Responsible Manager of the Year' award  
-  
Winner of the Sustainable Business Network 'Social Impactor of the Year' award  
-  
NZD \$36,317 donated to charities
- 2021**  
Winner of Mindful Money 'Most Ethical KiwiSaver Provider' & 'Most Ethical New Fund'  
-  
CareSaver KiwiSaver rebranded as 'Pathfinder KiwiSaver'  
-  
NZD \$104,000 donated to charities  
-  
Full integration with Alvarium  
-  
Full carbon offset of our KiwiSaver & Ethical Growth funds

Pathfinder

Invest Ethically

# Letter from John Berry, CEO



Kia ora koutou

We are excited to share the great work of the team here at Pathfinder in this, our first comprehensive Sustainability Report since we were founded in 2009.

We believe good ethics are critical to financial success. Through our investing we're committed to removing the stigma around succeeding financially by showing you don't have to sacrifice well-being (for yourself, your family or our planet) to grow your wealth.

We can all help fund the lasting transformation to a more ethical world. That is our vision, which is positive and aspirational, but also requires practical steps to implement.

As individuals it's hard to always control the impact we have on our world. It can feel challenging to make a difference in the face of massive global challenges like climate change.

However, we can each make a difference. We know that how we spend our dollar as a consumer matters. Ethical consumption by the average shopper can help buy the world you want to see. How we spend our time is equally important. For example, we can choose to mentor young people or volunteer for a charity, and these are genuinely positive for our communities.

At Pathfinder we are on a mission to raise awareness that the impact of how we invest our dollar is as impactful as how we spend our dollar or spend our time. We encourage you to consider the kind of world you want, because collectively as investors, we can have incredible influence. We invest wanting to fund the lasting transformation to a more ethical world; one that is better and fairer for all inhabitants.

How? Great question.

Avoiding investment in tobacco, gambling, factory farming and other harmful activities is a good start, but it does not go nearly far enough. The bigger question is, after avoiding the negative, where do we invest to generate positive benefits?

We tackle this by investing in companies, themes and ideas that are at the intersection of what is good for money generation and what is good for sustainability. In this report you will discover what we mean by 'ethical' as well as tangible examples of how we apply our ethical framework to our investment decisions. You can see our voting and engagement as a shareholder, where we work to positively influence companies from within. You can also review the results of our unique social enterprise model where we provide long-term and passive income for 18 Kiwi Charities.

While this is our first comprehensive Sustainability Report, it's worth pointing out that we've been investing ethically since before it was cool. With more than ten years experience, Pathfinder is recognised as a vanguard in the industry. Yet, we are not stopping and resting, we have big ambitions to keep encouraging change. Over time we want to go deeper with measuring and reporting what we do and the difference we make through investing and engaging. We look forward to your feedback on this report.

Thank you for joining us and thank you for sharing our vision of funding the lasting transformation to a more ethical world.

Ngā mihi

John Berry, CEO





# Climate Change Deeply Concerns Us

Climate change is a clear danger to the health of our planet and our society. We believe how we act as consumers, investors, and citizens over the next decade is critical.

We believe a company failing to transition to a low carbon economy is exposing itself to greater future financial risks. Here, concern for our planet aligns with smart, long-term investing.

Our commitment to climate change

# Below Zero

carbon-negative KiwiSaver Funds

Targeting  
**net zero**  
by 2030

**65% less**  
carbon in our portfolio  
(than the market average)

As a part of the  
**B Corp Climate Collective,**  
In partnership with the  
**UNFCCC Race to Zero**  
campaign

**Zero**  
investment in fossil fuel  
exploration, extraction  
and distribution

**Zero**  
investment in factory  
farming

**Zero**  
investment in coal fired  
electricity production

# BREAKDOWN OF OUR CARBON FOOTPRINT

Pathfinder (and many of our investors) see the effects of climate change as perhaps the greatest crisis facing humanity. While the problem may seem too large for any individual to solve, we disagree. If every participant in society and the global economy made a small change in the things they control, then in aggregate that would be meaningful.

As investors we have several things we can control:

- 01** What types of companies we invest in?
- 02** What changes we can help companies make?
- 03** What we do in terms of our own carbon footprint?





From a carbon perspective, we think about our investment companies in several ways. Firstly we do not provide capital to companies whose primary business is the exploration, extraction or distribution of fossil fuels.

This is not just an ethical choice, it is a sound investment decision. Companies with a heavy reliance on fossil fuel based revenue are refusing to acknowledge serious risks to their business model and we find that point of view just too risky. Even if you don't believe in the science around climate change (spoiler alert: we do!), it is quite clear that consumer preferences and regulatory behaviour are changing dramatically and firmly against fossil fuel "business as usual". Recent investment experience bears this out – the share prices of fossil fuel reliant companies have been terrible over the last few years, and we do not expect this to change.

We look closely at the carbon footprint of companies we invest in – a high footprint is usually disqualifying unless there is a positive story behind it. Some companies are transitioning from old ways to new ways – if we like the investment case that is okay. Some companies take on a high footprint because they are trying to solve issues created by others. That can be okay. And a positive trend in declining emissions plus a commitment to zero net emissions by 2030 or 2050 is also something we look for.

We actively encourage companies to change their behaviour, which we can do through voting and engagement. Voting in line with our ESG policy is important and we strive to vote at every opportunity. We are also active in lobbying groups like the Investor Group on Climate Change and the Responsible Investment Association of Australasia. We also engage directly with companies in New Zealand on specific issues. See pages 37 to 41 for information on our voting and engagement.

We acknowledge we are responsible for our share of the emissions produced by the companies we invest in. While on average, our portfolio carbon emissions are around 65% lower than the market average we go further. We use voluntary carbon credits to offset our share of emissions in our three KiwiSaver portfolios and our Ethical Growth Fund. The process is relatively simple – on a monthly basis we can calculate our share of the Scope 1 and Scope 2 emissions generated by the companies we invest in.

Scope 1 emissions are the CO<sub>2</sub> equivalent emissions generated by a business directly through their normal operations.

Scope 2 emissions are those "purchased" by the company – typically these are in the form of electricity used.

Scope 3 emissions are those produced by a company's clients.

So, in our world we are offsetting the Scope 1 and Scope 2 emissions of the companies we invest in. These are classified as our Scope 3 emissions. It may sound confusing but essentially it means if you are an investor in our KiwiSaver or Ethical Growth Fund, you are a carbon neutral (or even negative) investor.

**Well done!**

## Here is an example of how Scope 1, 2 and 3 emissions apply:

**Take Z Energy** – a company we do not invest in – but a good example of how this works. The emissions generated by driving a company car or one of its fuel delivery trucks are classed as Scope 1.

When Z Energy pumps petrol or turns on the freezer, the electricity used in that process is Scope 2 (so if it is coal fired electricity that would be higher Scope 2 than hydro produced electricity).

When a customer fills up and drives off in their car, they are producing scope 3 emissions for Z Energy.

**So, when we look at a company, we are measuring their Scope 1 and Scope 2 emissions, which become our Scope 3 emissions.**

We have purchased high social impact carbon credits to offset our share of these emissions. We actually have gone further, buying 50% more credits than we need (a 50% margin of error just in case there are any calculation inaccuracies). Importantly, these credits are not a cost to investors in our funds, we pay for them ourselves as Pathfinder Asset Management. We will do this each year.

The carbon offset business is complex and we would like to give a shout out to Jarden Securities who have helped us source high quality, audited, high social impact carbon credits. What we haven't done is use pine tree carbon credits – we have concerns around the ecological and societal impact of mono-culture radiata pine tree farming in NZ. Widespread conversion of land in New Zealand to Radiata pine plantations is negative from an ecological perspective. There can also be a social impact as rural communities are fundamentally changed as labour demand changes too.

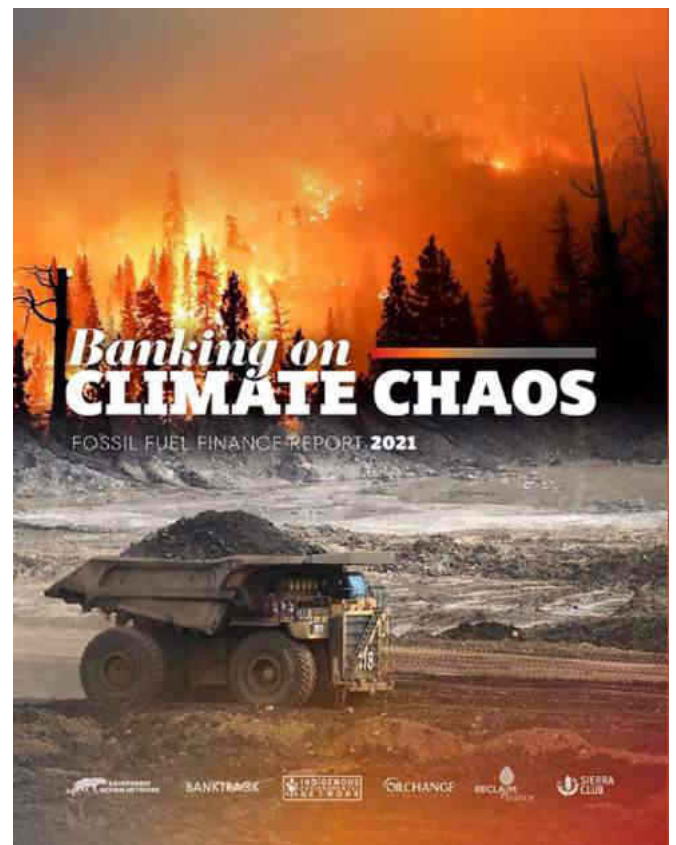
So, this year, we have sourced carbon credits from a program designed to improve the social wellbeing of poorer communities in Mexico as well as take emissions out. We have purchased carbon credits generated from a cookstove project. This is a neat solution – high intensity stoves are given to communities to replace traditional cooking methods. The new stoves burn hotter and can use poorer quality fuel, but they produce significantly lower emissions, both greenhouse gas and particulates.

There is a benefit in terms of reduced GHG emissions which generates the carbon credit. The lower particulate emissions are a genuine health benefit for families as they inhale fewer particles. The stoves are safer from a fire perspective. It is win/win for the environment as well as the families using them.

The usage of stoves is checked and audited, and the difference between previous and current emissions generates the carbon credit we have purchased.

For investors that care about the impact of climate change, choosing not to invest in Exxon Mobil, BP or the many thousands of fossil fuel exploiting companies is a pretty easy move to make. But is it enough to actually make a difference? The lifeblood of a company – particularly in the fossil fuel exploration, extraction and transportation industries is financing. These companies tend to carry high levels of debt that they use for building the infrastructure needed to extract, refine and move those fossil fuels.

The primary source for financing these projects are banks. A group of NGOs led by the Rainforest Action Network has summarised bank lending to finance fuels for five years. Each year they produce the [Banking on Climate Chaos: Fossil Fuel Finance Report](#), which summarises lending activities by banks to fossil fuel companies. This year they noted that in the 5 years since the Paris Agreement, the world's 60 largest banks have financed fossil fuels to the tune of US\$3.8 trillion dollars. We recognise the inconsistency between avoiding investing in fossil fuel companies, but at the same time investing in the large global banks that do lend to those companies. Across all our funds we are taking a considered approach to this and finding alternative investments that will still give us the return and risk characteristics we need to provide great returns to our investors.



The five largest lenders to fossil fuel companies are JP Morgan Chase, Citi, Wells Fargo, Bank of America and RBC. Collectively, these five banks are responsible for more than US\$1.1 trillion of loans to fossil fuel companies. Other banks

deeply involved in this business include Barclays, BNP Paribas, Bank of China, Credit Suisse and Deutsche Bank. Cutting off credit to fossil fuel companies to finance new projects – which are often more expensive and carry higher than normal social and environmental risks – would change companies’ behaviour and speed the transition to a carbon neutral economy. Already solar, wind and geothermal electricity production are cheaper than coal and gas fired electricity production. More capital will drive innovation in production, storage and energy efficiency from renewables.

In our KiwiSaver funds, we are actively divesting from the worst of the banks described in this report. Currently we own equity in just two of the top 20 banks named in this report. We still have small holdings in #12 (Morgan Stanley) and #15 (Goldman Sachs) in our KiwiSaver funds but we don’t own any of the other top 20 banks. This makes us unique in New Zealand, but we haven’t finished yet. Our goal is to remove all of the top 20 financiers from all of our portfolios by the end of the current financial year.

We encourage you to read this report, and use it to raise awareness and remind people that the new exploration part of the fossil fuel industry would soon grind to a halt without help from the banks.

## Our Decarbonisation Efforts

De-carbonisation is a continuous process. If we, as a society are to meet future carbon reduction targets, every year is a new baseline to improve from.

### Last year’s goals:

- Increase financial year 2020 renewable energy procurement to 100% (achieved – we changed provider to Ecotricity, which has 100% carbon zero certified renewable electricity)
- Improve reporting on Scope 3 emissions (achieved)
- Maintain portfolio carbon intensity at least 65% below MSCI ACWI benchmark for our share investments (achieved)

### This year’s goals:

- Redirect office waste from landfill with organisations like [www.allheartnz.org.nz](http://www.allheartnz.org.nz)
- Collect and disclose further data on water and waste
- Have emissions reporting externally verified
- Remove all Top 20 financiers of fossil fuels as identified by *Banking on Climate Chaos 2021* from all portfolios

## Carbon emissions details for Pathfinder Asset Management

Category	FY2019	FY2020
Scope 1 emissions	0	0
Scope 2 emissions	1.53	1.39
Scope 3 <sup>1</sup>	– <sup>2</sup>	323
Carbon offset in respect of Scope 3 emissions <sup>3</sup>	–	525
Scope 1 & 2 emissions intensity per FTE employee (tons GHG/employee)	0.176	0.0952

<sup>1</sup> Scope 3 emissions shown are from our KiwiSaver Growth, Balanced, Conservative, & Ethical Growth funds. We will include all our funds in the future years.

<sup>2</sup> Not measured in 2019

<sup>3</sup> In order to ensure we have compensated for any data inaccuracy we aimed to offset 50% more than our calculated Scope 3 emissions. In fact, we have offset 63% more than our calculated emissions.

## Carbon emission details for the funds managed by Pathfinder

The carbon intensity and emissions of the four funds shown here have been calculated as of 31 March 2021. Our share of the missions for the companies in our portfolio have been fully offset.

### For the Year ending 31 March 2021

Fund	Weighted Average Carbon Intensity <sup>1</sup>	Reduction versus Index <sup>2</sup>	Tons GHG emitted (Scope 1& 2)
KiwiSaver Conservative	62.4	-65%	6
KiwiSaver Balanced	58.6	-67%	64
KiwiSaver Growth	62.2	-65%	222
Ethical Growth Fund	57.4	-68%	31

<sup>1</sup> Weighted Average Carbon Intensity (WACI) is calculated using the TCFD methodology. It is the tonnes of GHG emitted per US\$1 million of revenue.

<sup>2</sup> The index WACI is as published by MSCI for the All Country World Index as of 30 June 2020

## Carbon emissions details for all of the funds managed by Pathfinder

### Snapshot as of 30 September 2021

Fund	Weighted Average Carbon Intensity	Reduction versus Index	Tons GHG emitted (Scope 1& 2)
MSCI All Country World Index	178.5		
KiwiSaver Conservative	55.8	-68.9%	16
KiwiSaver Balanced	60.8	-65.9%	242
KiwiSaver Growth	61.2	-65.7%	766
Ethical Growth Fund	65.7	-63.2%	142
Global Water Fund	142.1	-20.4%	3,205
Global Property Fund	90.0	-49.6%	163.5
Responsible Investment Fund	105.6	-40.9%	649.4
Trans-Tasman Ethical Fund	57.6	-67.7%	445

<sup>1</sup> Weighted Average Carbon Intensity (WACI) is calculated using the TCFD methodology. It is the tonnes of GHG emitted per US\$1 million of revenue.

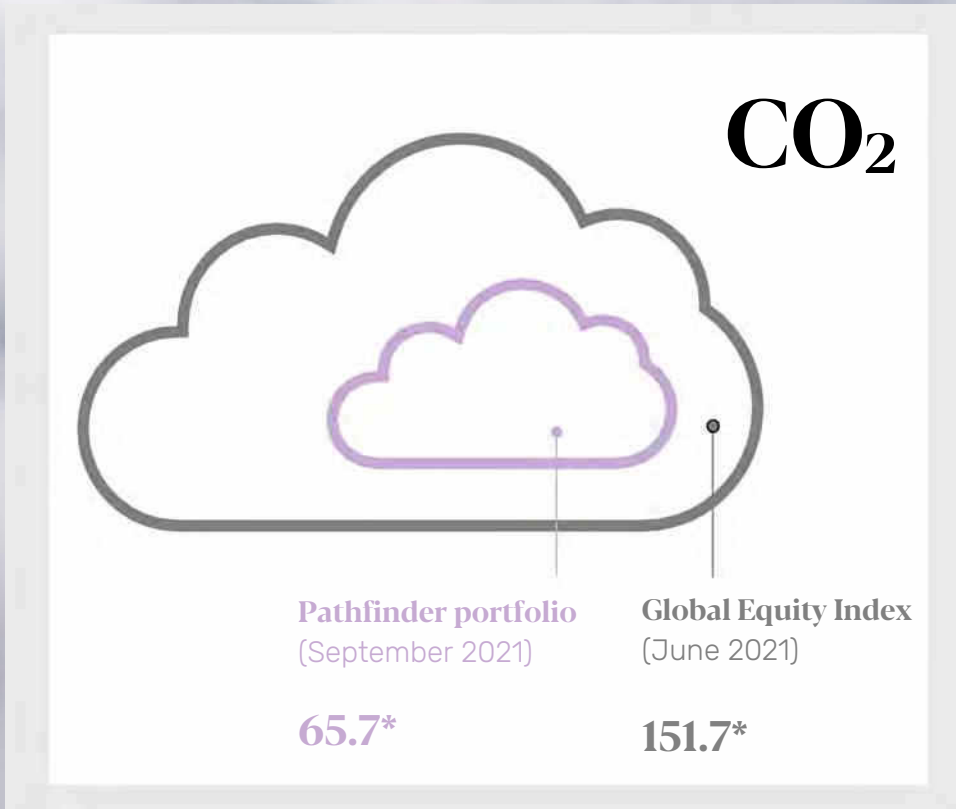
<sup>2</sup> The index WACI is as published by MSCI for the All Country World Index as of 30 June 2020

**65% less CO<sub>2</sub>**  
carbon in our KiwiSaver portfolio  
(than the market average)



### Ethical Growth Fund

Weighted Average Carbon Intensity



# Letter from Paul Brownsey, CIO



Tēnā koutou katoa

The last year in markets has truly been extraordinary with the impact of the Covid-19 virus. The human and social impact has hurt families around the world. Economies have reeled from the slowdown. As stewards of our investors savings, it has been quite a journey from the brutal sell-off in March 2020 to the strong recovery since then.

Our strong ethical policy has been tested but has ultimately proved very resilient. Following a strong ethical policy is more than a statement and an intention to “do the right thing.” It is also an effective risk management tool. Measuring the way a company behaves, and how clearly it thinks about Environmental, Social and Governance issues is another dimension of risk management – some of these risks are not captured by traditional accounting metrics.

We actively avoid some business sectors that performed poorly pre-COVID, and even worse during the COVID crisis. A good example is the fossil fuel sector – we do not provide capital to companies whose core business is the exploration extraction or distribution of fossil fuels. Climate change is a clear danger to the future of society, and companies that invest in long term projects dependent upon fossil fuel are not thinking clearly about risk. Consumer preferences and government pressure are pushing more and more economic activity from fossil fuel reliant companies. Returns from these companies over the last five years have been dire – there are much better investment opportunities in other parts of the market. Other industries we avoid include airlines, cruise ships, gambling, etc. – all sectors that suffered tremendously as the world went through lockdowns.

At Pathfinder, we have two duties to our investors. Firstly, maximise the potential return given the risks we have agreed to take, and secondly, do this in a way that is good for people and the planet. These are not exclusionary goals – it is perfectly possible for an investment manager to do both. It may take more time and more work but our investment team is very happy to do this for our clients. And more and more, the evidence shows that achieving this result this is perfectly possible.

Over the next year we have ambitious plans to improve further the way we do business. Expect from us a bigger effort to combat climate change. This year four of our funds (KiwiSaver Growth, Balanced, Conservative and the Ethical Growth Fund) are all carbon negative – we have reduced the carbon intensity of the companies we invest in dramatically and used high social impact carbon credits to more than offset the remainder of the carbon we are responsible for emitting. This year we will extend this to more of our funds. We are investing more in systems to measure more company risks around the environmental, social and governance behaviour of the companies we invest in. This is important – it is blindingly obvious that companies that manage these risks are likely to be better managed companies with better than average prospects. For example, a company that cares about the 'S' factor will likely have better motivated staff, lower staff turnover, higher consumer preference for their brand, etc. – these can all translate into higher growth. Likewise, for the 'E' part – fewer regulatory sanctions, stronger marketing appeal, etc. ESG is just a different way of thinking about future risk, and if a manager is thoughtful about how to use this data this will certainly flow into superior risk adjusted performance.

I would like to thank the wider team at Pathfinder who have all helped generate our investment performance, it is a genuine team effort, and something to be very proud of.

Ngā mihi

Paul Brownsey, CIO

An aerial photograph of a coastal area. At the top, a bay is visible with a sandy beach and a small boat. The water is a deep blue-green. In the center, there's a large area of green vegetation, possibly a forest or park. Below that, another sandy beach curves along the coast. At the bottom, there's more greenery and a few small structures or vehicles. The overall scene is a mix of natural beauty and human presence.

# INVESTMENT APPROACH

At Pathfinder, our ethical beliefs are core to our investment process. Based on better than average risk management and actual return evidence, we expect that companies with high ESG metrics will perform better over the long-term than those with lower scores. We seek to exclude industries that we believe generate a negative impact on people and the planet, such as alcohol, tobacco, and fossil fuels.

The transition to a lower carbon economy is estimated to require at least US\$1 trillion per year for the foreseeable future. Climate related risks may change significantly as time passes and organisations are affected by physical impacts, changing government policies and new technologies.

# Key ESG themes

We can help society address ESG issues by investing in specific solutions to them – this means investing in companies whose business models and products and services positively contribute to sustainable development.

This approach gives us the opportunity as investors to promote and support the implementation and development of the Sustainable Development Goals.

The following four pages introduce our key ESG investment themes.



# Renewable Energy

Energy used for electricity, heat, and transport makes up around three quarters of global emissions, making this a key area in which we can contribute to by increasing the supply of renewable energy compared to non-renewables.

This means supporting the production of energy from renewable sources, such as wind, hydro and solar, and developing innovative technology to solve the current problems of access, production, transmission, and storage.

One in seven people lack access to electricity, and almost a third of the world's population is reliant on unhealthy, polluting fuels for cooking. We must not only contribute to further development of renewable sources but contribute to fair and equal access to clean, efficient, and affordable energy. We invest in renewable energy suppliers and energy infrastructure through listed companies and one private New Zealand based solar company (Lodestone).

## Target impacts



# Energy Efficiency

Energy efficiency focuses on products and services, technologies, and infrastructure that promote the efficiency of industrial operations, power management, distribution, and storage.

Data centres are essential infrastructure underpinning a vast range of activities in business, government, and society. However, data centres consume about 10% of all global energy production, making this a highly intensive sector with room for efficiency improvements. Some of these improvements may include the development of improved methods of cooling data centres and recycling heat, streamlining computer processes, and using renewable energy.

Transportation makes up almost a third of global emissions – key to reducing this is supporting the transition to low-carbon technologies, vital to enabling the global transition to a less carbon intensive society.

For Pathfinder investing in the 'energy efficiency' theme includes sustainable data centres and electric vehicle technology.

## Target impacts



# Water

Humanity is facing a global water crisis. 1 in 9 people lack access to safe drinking water, and every 2 minutes, a child dies from a water-related disease.

Fair and equal access to safe water and sanitation is a basic human right. This contributes to improved health, reduces the spread of infectious diseases and reduces child and maternal mortality rates. Women and children bear the brunt of the disproportionate impacts of the water crisis; they are usually the people responsible for collecting water, taking time away from work, education, and caring for families. This helps lock these women and children in a cycle of poverty.

We invest in water-related technologies – supporting water management, distribution, and conservation. We are particularly proud to be the key institutional investor in De.Mem Limited, a small listed Australian water and waste water treatment business.

## Target impacts



# Technology

Semiconductors are crucial pieces of technology, found across almost every industry in millions of devices from transport to solar power generation. Back in 2005, most cars didn't have a single chip, yet today, no automakers produce cars without them. As society becomes more and more connected to the internet, demand for semiconductors will continue to rise exponentially.

Producing semi-conductors is an incredibly complex industrial process. Because of the high expense and extreme difficulty, only a small number of companies build the equipment required to produce semiconductors. We invest in those companies.

## Target impacts



# What we like

We look for investment opportunities that are consistent with our values. Industries like renewable energy, water infrastructure, and energy efficient data storage centres. We also measure companies by the quality of their Environmental, Social and Governance behaviour.



Environment  
and social



Investment  
return focus



Supporting our  
Community

# HOW OUR ETHICAL INVESTMENT PROCESS WORKS

*Pathfinder's vision is for our ethical investing to fund the lasting transformation to a more ethical world.*

Anya Satyanand  
Independent Pathfinder Director and Chair of our Ethics Committee

We want investors to join us not only for our strong financial returns but because of the values we apply to how we invest. Values alignment is important to us. Below is a summary of our ethical investment framework (please refer to our [Ethical Investment Policy](#) on our website for full details).

Pathfinder's mission is for our ethical investing efforts to grow individual wealth and collective well-being. We have two "high level" principles for the way we invest:

- Avoid harm to our planet and people
- Go further than just avoid harm, and strive to 'do the right thing'

## Applying these high-level principles is done by:

- 01** Aspiring for our investment decisions to contribute to the UN Sustainable Development Goals
- 02** Integrating ESG into our investment process. This includes a focus on environmental, social and governance (ESG) factors, excluding harmful industries or activities and seeking to invest in sustainable themes (like renewable energy)
- 03** We believe climate change is a significant challenge for our planet. This directly impacts the way we invest because we believe the world must transition to a lower carbon economy
- 04** Our business values are 'Aware, Fair and Care' which we apply to how we invest. This includes avoiding companies with high levels of controversy in their operations
- 05** We are an active owner of our investments. This means we vote as a shareholder, we actively promote ethical investment and we encourage positive change by corporates

There is no single right answer to many ethical issues – there can be grey areas and there will be disagreement between different people. Our ethical framework is overseen by our Ethics Committee which comprises of an independent Chair, Anya Satyanand. Anya has many years of experience delivering social impact via senior roles at NGO’s including Leadership NZ, The Princes Trust and Ara Taiohi. Other members of the committee are the two founders of Pathfinder (John and Paul) and our ESG analyst, Kate.

The Committee follows New Zealand government policy direction or international conventions for guidance (for example not investing in controversial weapons). We regard these as minimum standards, and often have higher standards.

For instance, we have also elected to:

- avoid animal testing and factory farming
- not invest in an NZX company without at least one female board member
- have no tolerance for companies with exploitative behaviour in supply chains
- invest in no companies involved in the exploration, extraction and distribution of fossil fuels
- invest in no companies that mine or use thermal coal (this includes utilities that generate 5% or more electricity from this source)
- avoid companies with revenue (at a 5% threshold) from adult entertainment, alcohol, gambling

Our Ethics Committee will also review the sustainable themes selected by our investment team – currently renewable energy, energy efficiency, water and tech. We do not claim these are the only valid sustainable themes, but we identify these as at the intersection of what is good for our planet and what will make our investors good returns.

By definition, an ethical investment policy will be subjective as it will reflect the views and beliefs of its authors. The Pathfinder Ethical policy is deliberately set with a high bar and reflects both the ethical beliefs of staff at Pathfinder as well as meeting the highest standards of local and international best practice. We receive considerable feedback from our investors and value this. Often investors raise new issues with us or provide information that we did not previously have. This is very valuable in terms of continuing to develop our policy.

We believe transparency on what we invest in is important. Our approach to investing (set out in our Statement of Investment Policy and Objectives and our Ethical Investment Policy) has always been freely available. Our investment holdings have always been provided on request, and we are working to include them on our website. We are always happy to engage with our investors if there are questions or suggestions.



**Anya Satyanand**

Our Ethics Committee is chaired by Anya Satyanand. Anya is CEO of Leadership New Zealand (a registered charity) and is an independent board member of Pathfinder.

# What we don't like

There are some activities we just won't invest in because of the harm they do people, animals or the planet. We don't believe that exclusions alone are sufficient to create meaningful change in our world, but we see them as a key starting point:



**Tobacco**



**Factory farming**



**Fossil fuels**



**Civilian weapons**



**Gambling**



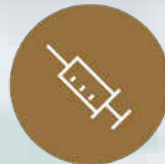
**Whaling**



**Controversial weapons**



**Inequality**



**Animal testing**



**Adult entertainment**





# SUSTAINABLE DEVELOPMENT GOALS

- 01** A set of 17 global Sustainable Development Goals (SDGs) goals and targets to create a better world by 2030
- 02** Bringing together the economic, social, and environmental dimensions of sustainable development
- 03** End poverty, fight inequality, protect the planet, and advance global prosperity
- 04** The 17 goals are matched with 169 targets and 247 indicators

We seek out companies whose core products and services contribute to achieving the SDGs.

SDGs are interrelated, and investments can create possible impact towards goals that are not intentionally targeted.



Our approach to the Sustainable Development Goals uses the UN Principles for Responsible Investment framework. This five-part framework enables investors to understand both the positive and negative impacts of their investments and to shape these outcomes in line with the SDG's.

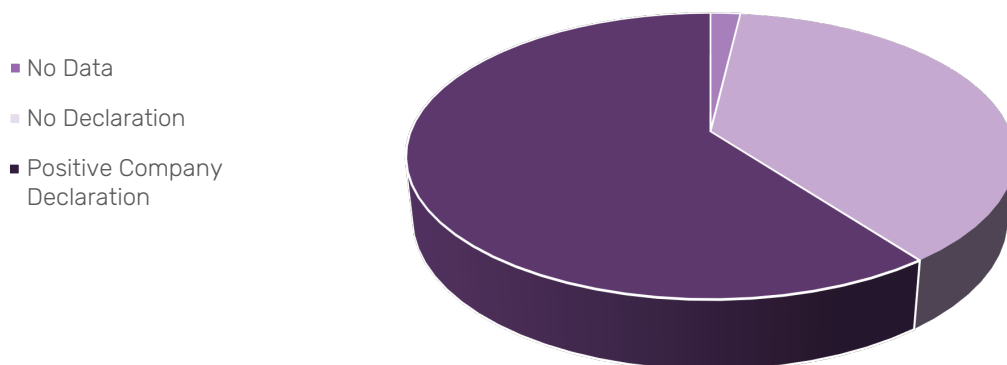


Figure 1: UNPRI Investing with SDG Outcomes

This chart represents the number of companies in our funds that declare a positive company contribution to the SDG's

<b>No Data</b>	<b>3</b>
<b>No Declaration</b>	<b>61</b>
<b>Positive Company Declaration</b>	<b>97</b>

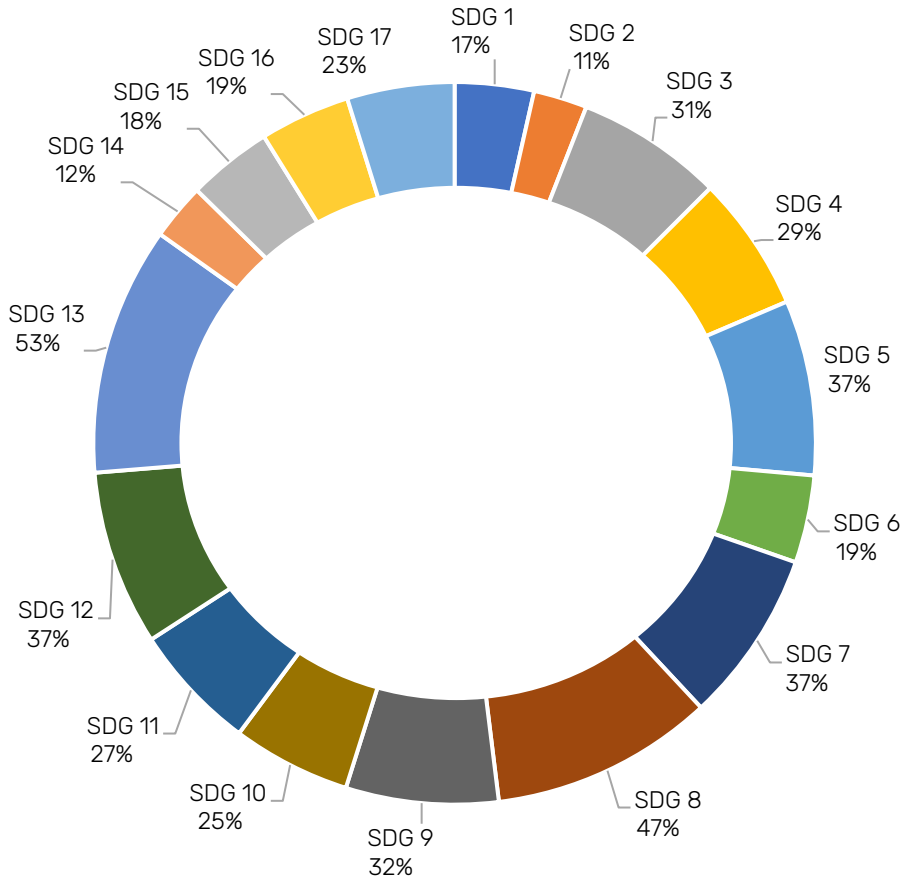
### Companies that declare a contribution to the SDG's



This table represents the self-reported SDG contribution by the companies our funds invest in.

<b>SDG</b>		<b>Number of companies that report a contribution</b>	<b>Percentage of companies that report a contribution</b>
<b>No Poverty</b>	SDG 1	28	3.5%
<b>Zero Hunger</b>	SDG 2	19	11.4%
<b>Good Health &amp; Well being</b>	SDG 3	52	31.1%
<b>Quality Education</b>	SDG 4	48	28.7%
<b>Gender Equality</b>	SDG 5	62	37.1%
<b>Clean Water and Sanitation</b>	SDG 6	31	18.6%
<b>Affordable and Clean Energy</b>	SDG 7	61	36.5%
<b>Decent Work and Economic Growth</b>	SDG 8	79	47.5%
<b>Industry, Innovation, Infrastructure</b>	SDG 9	54	32.3%
<b>Reduced Inequality</b>	SDG 10	42	25.1%
<b>Sustainable Cities and Communities</b>	SDG 11	45	26.9%
<b>Responsible Consumption and Production</b>	SDG 12	62	37.1%
<b>Climate Action</b>	SDG 13	88	52.7%
<b>Life Below Water</b>	SDG 14	20	12.0%
<b>Life on Land</b>	SDG 15	30	18.0%
<b>Peace, Justice, Strong Institutions</b>	SDG 16	32	19.2%
<b>Partnerships to achieve the goals</b>	SDG 17	38	22.8%

### Proportion of companies contributing to each SDG



### Pathfinder Funds

Number of Companies that Self Report a Contribution to an SDG





# SCIENCE-BASED TARGETS

This represents the proportion of companies that we own that have formally set science-based emissions reductions targets through the Science-based Targets Initiative (SBTi), a partnership between the Carbon Disclosure Project (CDP), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

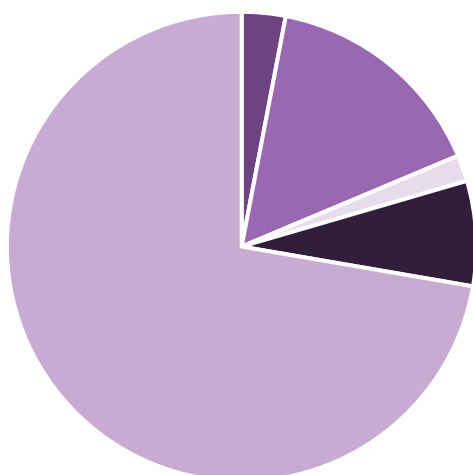
Targets are considered 'science-based' if they are in line with what the latest climate science says about meeting the goals of the Paris Agreement.

This is not a comprehensive list as companies may have set their own non-verified targets that are still scientifically valid or may be in the process of formally verifying their targets.

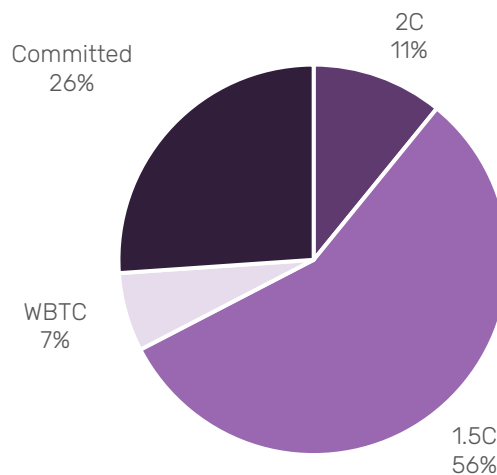
2C	1.5C	WBTC	Committed	Not found
5	26	3	12	120

2C - Targets in line with limiting warming to below 2°C  
 1.5°C - Targets in line with limiting warming to below 1.5°C  
 WBTC - Targets in line with limiting warming to well below 2°C

## Companies formally aligned with Science-based Targets Initiative



■ 2C ■ 1.5C ■ WBTC ■ Committed ■ Not found



■ 2C ■ 1.5C ■ WBTC ■ Committed

# Climate Alignment

The Paris Agreement Capital Transition Assessment (PACTA) tool is a free, open-source methodology and tool that helps measure the alignment of financial portfolios with various climate scenarios.

Some key findings from this analysis:

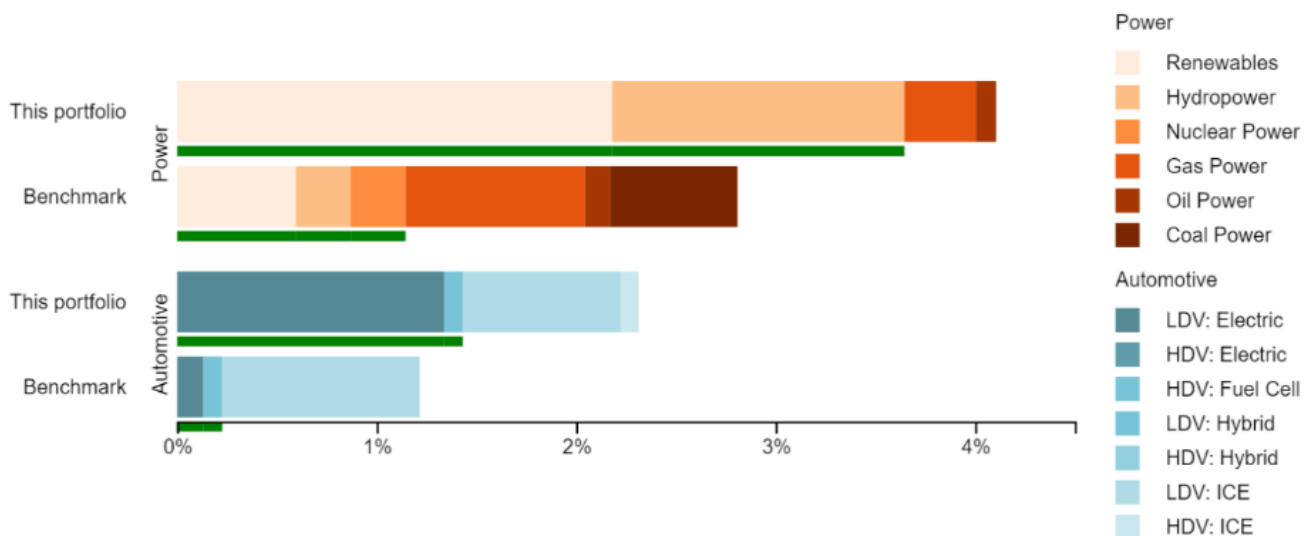


**Currently, this PACTA analysis covers just the Automobile and Power sectors which make up 7.5% of our portfolio**

Power companies make up 4.5% of the portfolio and are responsible for 15% of the portfolio's total emissions, or 28,000T CO<sub>2</sub>. The automotive sector makes up 2.9% of the portfolio and is responsible for 0.53% of portfolio emissions, or 1,000T CO<sub>2</sub>.

Below we show Pathfinder's overall exposure for key sustainability themes (compared to a market benchmark) as at September 2021:

Metric	Pathfinder	Benchmark (iShares MSCI ASCW ETF)	Difference
Proportion of portfolio invested in renewable energy	2.20%	0.60%	3.7 times more
Proportion of portfolio invested in low carbon power technology	3.60%	1.10%	3.3 times more
Proportion of portfolio invested in electric vehicles	1.30%	0.10%	13 times more
Proportion of portfolio invested in low carbon automotive technology	1.40%	0.20%	7 times more



# Key Holdings

Company Name	About	Things we like	SDG Contributions
<b>Vestas Wind Systems</b> 	<p>A Danish wind turbine manufacturer, Vestas contributes significantly to the expansion of renewable energy sources and is a leader in the global transition to renewable energy.</p>	<ul style="list-style-type: none"> <li>• Carbon neutral by 2030</li> <li>• Committed to improving product energy efficiency</li> <li>• Zero waste manufacturing by 2040</li> <li>• Strong human rights policies</li> </ul>	   
<b>Red Electrica Corp</b> 	<p>Red Eléctrica maintains and operates electricity transmission grids and telecommunications networks in Brazil, Chile, Peru, and Spain. They play an important role in the global transition to a more sustainable energy system.</p>	<ul style="list-style-type: none"> <li>• Science based targets</li> <li>• Leaders in the promotion of renewables</li> <li>• Strong environmental policies</li> <li>• Dedicated committee for sustainability</li> </ul>	   
<b>United Utilities Group</b> 	<p>United Utilities is the largest listed water and wastewater company in the UK, owning and managing water and wastewater networks in the Northwest of England. The purification of water and the provision of clean drinking water and sanitary services are global sustainability challenges that companies like this address.</p>	<ul style="list-style-type: none"> <li>• Generates renewable energy through solar, wind, and biofuels</li> <li>• Sustainability is integrated into remuneration</li> <li>• Strong health and safety management</li> <li>• Decreasing energy use and carbon emissions</li> </ul>	   
<b>First Solar</b> 	<p>First Solar is an American solar panel manufacturer, conducting all stages of manufacturing entirely in house. They serve residential, commercial, and utility-scale power plant customers, and contribute to the expansion of renewable energy and the low-carbon transition.</p>	<ul style="list-style-type: none"> <li>• Positive trending resource efficiency</li> <li>• Targets in place to reduce greenhouse gas emissions</li> <li>• Promoting renewable energy sources in emerging markets</li> <li>• Fully independent audit, remuneration, and nomination committees</li> </ul>	   
<b>SAP</b> 	<p>A German software company that offers business applications to corporate customers from various industries, including carbon-neutral cloud services and supporting the optimisation of operations in terms of energy use.</p>	<ul style="list-style-type: none"> <li>• Provide services that help customers reduce their carbon footprint</li> <li>• Dedicated sustainability committee</li> <li>• Strong Code of Ethics and compliance procedures</li> <li>• All energy used for computing comes from renewable sources</li> </ul>	   



## Fixed income/Social bonds

### Women's Livelihood Bond ("WLB 2") – IIX

Launched by IIX (Impact Investment Exchange). This is the world's first impact investing instrument to be listed on a stock exchange, and to report on both social and financial performance. We are excited that Pathfinder's KiwiSaver invested in this bond to fund microfinance in South-East Asia.

P

The WLB 2 portfolio advances 12 of the 17 UN SDGs as outlined below:

<p><b>1 NO POVERTY</b></p>	~74,000 women and girls from low-income communities were equipped to combat poverty and enhance financial inclusion	<p><b>2 ZERO HUNGER</b></p>	~1,600 women smallholder rice farmers benefited from a 20% increase in yield per harvest due to sustainable agriculture practices	<p><b>3 GOOD HEALTH AND WELL-BEING</b></p>	~21,500 women and girls benefited from improved health due to access to affordable healthcare and better nutrition
<p><b>4 QUALITY EDUCATION</b></p>	~21,500 young women and girls benefited from skills development programs and financial support to stay longer in school	<p><b>5 GENDER EQUALITY</b></p>	~29,200 women transitioned to sustainable livelihoods and ~21,000 women enhanced financial resilience through savings and insurance	<p><b>6 CLEAN WATER AND SANITATION</b></p>	~1,900 women beneficiaries benefited from improved access to clean water and sanitation facilities, saving ~2 hours per day
<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	~1,800 women and girls were provided with access to clean and reliable energy sources, enhancing productivity by ~1.5 hours a day	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>	Women micro entrepreneurs increased income by ~US\$4.9 million enabling them to reduce income inequality with male counterparts.	<p><b>10 REDUCED INEQUALITIES</b></p>	~26,300 women micro entrepreneurs were provided with access to affordable credit to grow and sustain their businesses
<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p>	~210 women beneficiaries benefited from improved mobility and safety outcomes through access to motor and housing loans	<p><b>13 CLIMATE ACTION</b></p>	~1,900 women farmers were equipped with affordable Agri-inputs and training in climate-smart agriculture	<p><b>17 PARTNERSHIPS FOR THE GOALS</b></p>	The WLB 2 coalesced a range of public and private sector partners: 3 banks, 7 law firms, 3 government bodies, 2 United Nations Bodies and more

Source: IIX (Impact Investment Exchange)



# INVESTMENT INSIGHTS

## Community of Refuge Trust (CORT) Community Bond – Community Finance

Community Finance is Aotearoa’s largest open impact investment intermediary, established to facilitate investment into social and environmental projects. By purchasing these bonds, Pathfinder’s funds support CORT’s ongoing work in the provision of affordable housing.



“The adoption of impact investing by leading KiwiSaver providers, like Pathfinder, provides an opportunity to deliver financial returns and positive impact for Aotearoa. With KiwiSaver funds now exceeding \$82 billion and growing, we can invest at scale to create both positive financial returns and social outcomes. Right now, Kiwis are living in warm, dry and affordable homes because of impact investments that are also providing long term commercial returns for investors. It is a genuine win/win.”

– James Palmer  
Chief Executive of Community Finance

### Target impacts



Increase the stock of new affordable housing for vulnerable people living in Auckland. \$40m invested in 2020 & 118 new houses built across Auckland.



Ensure that vulnerable people in Auckland are provided with warm, efficient, and healthy housing.

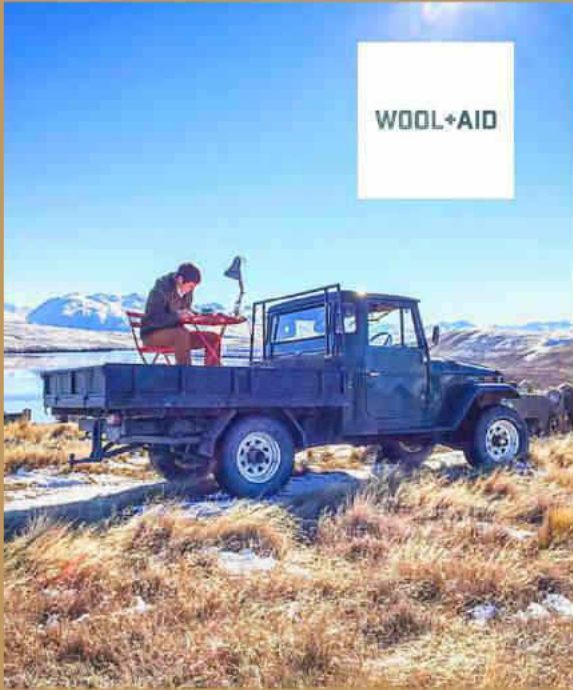


Achieve stable housing tenure and provide a bridge to the social services required to improve a tenant’s ability to thrive in the community.

Here are four private (unlisted) companies Pathfinder has invested in. Rua Bioscience subsequently listed on the New Zealand stock exchange – and is an example of us helping smaller purposeful companies to grow and later access mainstream capital.

## INVESTMENT STORIES

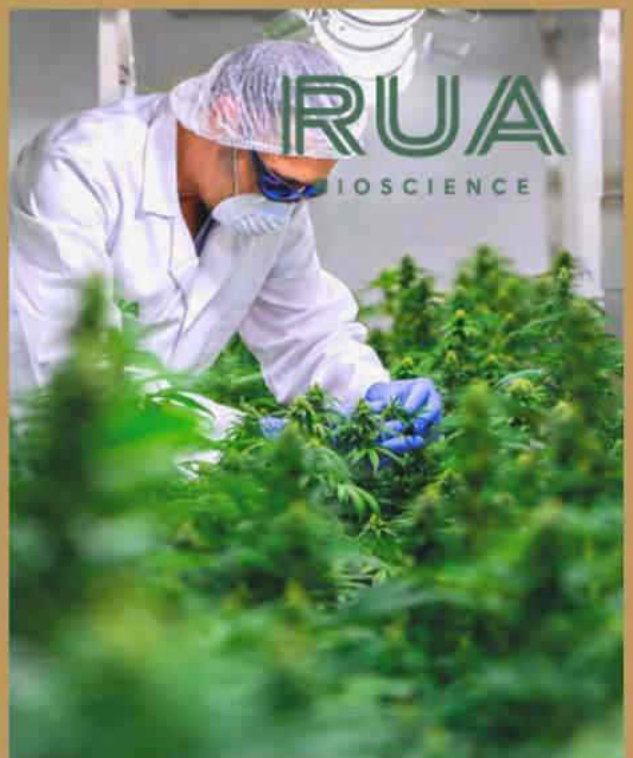
### Wool + Aid



- Plastic bandages significantly contribute to the global plastic pollution problem
- Innovative zero plastic alternative to plastic-derived bandages and plasters using naturally antibacterial, hypoallergenic and antimicrobial hyperfine merino wool
- Positive life cycle – as the bandages biodegrade, they release important nutrients like nitrogen and magnesium back into the soil
- Merino wool will be sourced from High Country Stations actively developing regenerative agricultural practices

### Rua Bioscience

- Indigenous inspired innovation, founded on a mission to drive economic development in Tairāwhiti and provide meaningful local employment and training opportunities
- First company listed on the NZX founded by a Māori community, provided a priority offer allowing residents in the Tairāwhiti region the opportunity to invest in the company with a lower financial barrier for entry
- Committed to sustainable practices – responsible water management and biodiversity, 80% of electricity is renewable and they are aiming to be certified carbon neutral



# Lodestone



- Building New Zealand's largest Solar infrastructure network – plans for 5 solar energy farms in the upper North Island, together capable of producing 1% of the country's electricity supply and increasing New Zealand's solar generation by 8 times
- Use no water, produce no noise, no pollution and no emissions, and life cycle emissions are much smaller than fossil fuels
- Price estimated to be similar to wind, cheaper than any other energy bar hydro
- Aiming to improve local power reliability and help reduce NZ greenhouse emissions



# Mentemia

- Digital wellbeing platform to help improve the lives of New Zealanders
- Evidence-based tools and content that provide a practical way for employers to engage with their workers to help and improve their wellbeing
- Supporting good mental health is good for people and business



## Impact Statistics from Mentemia

- 68% of users state the Mentemia app has helped their mental wellbeing to a moderate, large or very large extent.
- 83% of users feel better able to manage their stress levels
- 88% of users feel they have learnt new tools and techniques to look after their wellbeing

# CHARITABLE GIVING

WE DONATE 20% OF OUR KIWISAVER FEES TO OUR 18 CHARITY PARTNERS.

## EMPOWERING CHARITIES TO DO GOOD IN OUR COMMUNITY IS A CORE PART OF WHO WE ARE.

WHY? BECAUSE "IT'S THE RIGHT THING TO DO" AND IT'S PART OF OUR PURPOSE AS A BUSINESS.

Our Charity Partners have been carefully chosen by us in accordance with our Charity Partner Selection Principles, which we call our PRIME criteria:

**Purpose:** A clear social or environmental purpose and who do great work.

**Reach:** Engage with an active community of supporters.

**Impact:** Making an important difference to improve lives, communities or our natural environment.

**Mana-Enhancement:** Prioritise integrity, care, transparency and innovation. These reflect one of Pathfinder's values of Aware, Fair and Care.

## Donation breakdown

### 2020 Donation breakdown

20% of KiwiSaver fees donation	\$15,587.00
Other donations paid	\$19,864.72
Total donations	\$35,450.72

### 2021 Donation breakdown

20% of KiwiSaver fees donation	\$101,950.00
Other donations paid	\$2,050.00
Total donations	\$104,000

## Our charity partners



# ENGAGEMENT

## Key Memberships



### **Taskforce on Climate related Financial Disclosures (TCFD)**

The Taskforce on Climate-related Financial Disclosures (TCFD) was established to develop recommendations for climate-related disclosures that could enable stakeholders to better understand exposures to climate-related risks within the financial system. The recommendations are structured around four key areas: Governance, Strategy, Risk Management, and Metrics & Targets. The TCFD recommendations are considered international best practise and have been adopted on a voluntary basis by a number of organisations. New Zealand is the first country to introduce legislation to make climate-related disclosures mandatory for certain organisations, including those with over \$1 billion in total assets, covering about 90% of assets under management in New Zealand. We have begun voluntarily reporting in line with the TCFD recommendations; disclosures can be found at the end of this document.

### **Investor Group on Climate Change (IGCC)**

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors aiming to achieve a climate resilient, net zero emissions economy through investor action on climate change. IGCC currently represents investors with total funds under management of over \$2 trillion.

The Paris Aligned Investment Initiative (PAII) was launched by the IIGCC (Institutional Investors Group on Climate Change): Europe to expand and enhance investor alignment with the goals of the Paris Agreement. Delivered by four investor networks, the Net Zero Framework both encourages and raises ambition for investors and supports investors in realising net zero goals. IGCC undertook a public consultation period and engaged with more than 780 stakeholders. This is an evolving field, and this work will continue and be incorporated in future updates to the Framework; the Net Zero Investment Framework 2.0 is expected to be published ahead of COP26 in November 2021.

### **UNFCCC RACE TO ZERO**

B Corp Climate Collective – Net Zero by 2030

Climate Ambition Alliance: Net Zero 2050

## Global Investor Statement to Governments on Climate Change

Pathfinder signed the 2021 Global Investor Statement to Governments on Climate Change, a collaboration developed by the Investor Agenda urging governments to raise their climate ambition and implement meaningful policies, or risk missing out on investment into climate action. Pathfinder is one of 457 global signatories representing over US\$14 trillion in assets – representing an estimated 37% of all global assets under management. The world is currently not on target to meeting the goals of the Paris Agreement and greater ambition and collaboration between governments, investors, and companies is required to drive climate action.

We aim to vote in line with our ESG principles on every share we hold. With New Zealand listed companies we can also engage directly around specific issues. Below are examples of recent individual engagements by us:

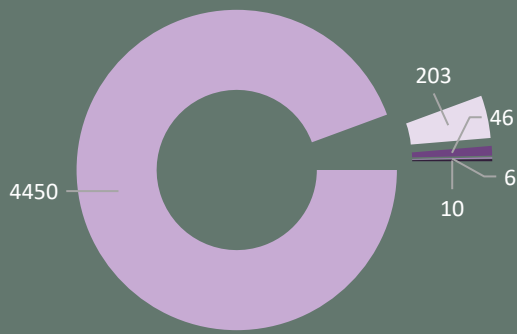
Engagement party	When	Focus	Next steps
NZX top 10 company	July 2021	Enquired around extent of animal testing of product and materials	Confirmed no testing of product but suppliers test compounds. Will provide detailed policy
NZX company	June 2021	Enquired for clarity on intention to purchase wine industry assets (and consistency with community principles)	Public statement that withdrew interest in the specific wine industry assets
20 listed NZ companies	2020/2021	Seeking clarity around carbon and environmental targets from 20 largest listed companies	Have received responses from the majority of companies and on-going work continues for us
Private company	June 2021	Seeking information regarding forced labour in the supply chain	Continuing engagement

## Voting Record

Here is Pathfinder's voting record for the year ending 31 March 2021:

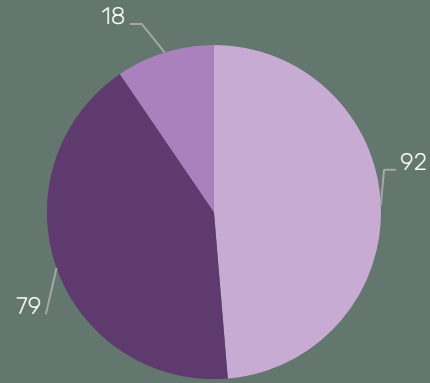
	Management Proposals	Shareholder Proposals	Total Proposals
With Management	4450	92	4542
Against Management	203	79	282
N/A	10	18	28
Mixed	0	0	0
Take No Action	46	0	46
Unvoted	6	0	6
<b>Totals</b>	<b>4715</b>	<b>189</b>	<b>4904</b>

### Management Proposals - Votes versus Management



- With Management
- Against Management
- Take no action
- Unvoted
- N/A

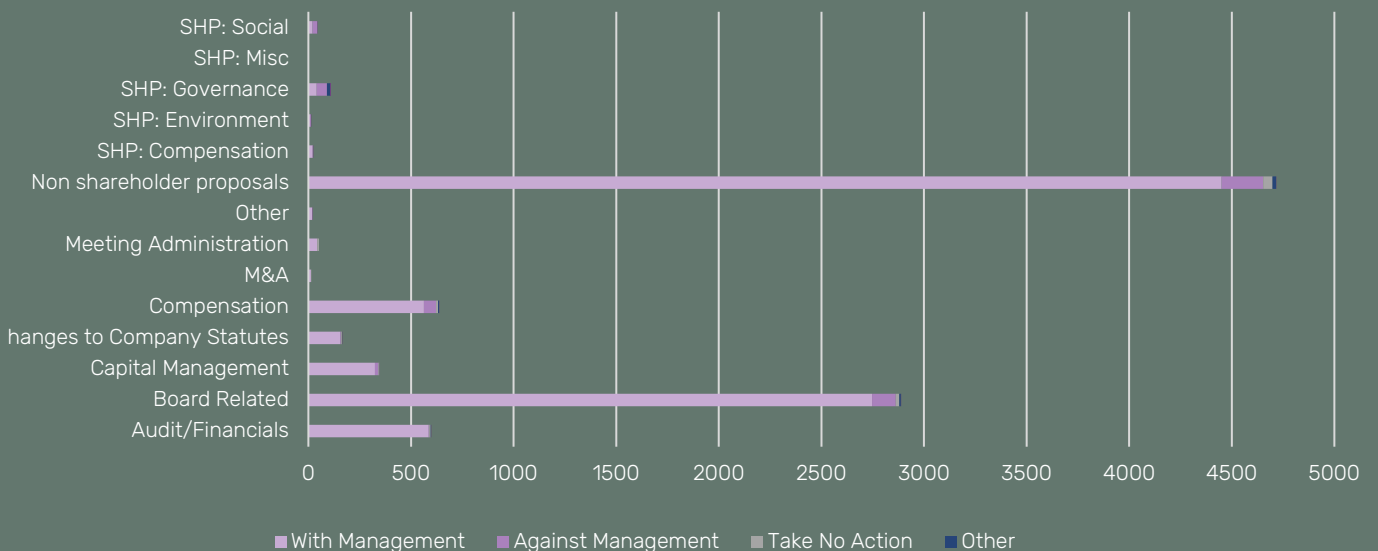
### Shareholder proposals - Votes versus Management



- With Management
- Against Management
- N/A

31/3/2020 - 31/3/2021

Proposal Category Type	With Management	Against Management	Take No Action	Other	Total	Proportion Against Management
Audit/Financials	586	4	6	2	598	0.7%
Board Related	2747	115	17	8	2887	4.0%
Capital Management	324	18	4	0	346	5.2%
Changes to Company Statutes	156	5	2	0	163	3.1%
Compensation	563	60	8	6	637	9.4%
M&A	12	0	2	0	14	0.0%
Meeting Administration	44	0	7	0	51	0.0%
Other	18	1	0	0	19	5.3%
SHP: Compensation	21	3	0	0	24	12.5%
SHP: Environment	8	4	0	0	12	33.3%
SHP: Governance	41	49	0	18	108	45.4%
SHP: Misc	2	0	0	0	2	0.0%
SHP: Social	20	23	0	0	43	53.5%
<b>Total</b>	<b>4450</b>	<b>203</b>	<b>46</b>	<b>16</b>	<b>4715</b>	<b>4.3%</b>



# Key Voting & Engagement Themes

Pathfinder engages the services of CGI Glass Lewis as its proxy voting service. The voting guidelines published by CGI Glass Lewis set out the specific principles that guide their recommendations and analysis. Pathfinder will consider the information and recommendations set out by our proxy voting service provider, but we are not bound to follow these recommendations.

The focus of Glass Lewis' proxy voting guidelines is to facilitate shareholder voting in favour of governance structures that drive performance and create shareholder value. Company disclosures help shareholders assess risks and opportunities relevant to the company.

## Examples for listed companies include:

Environment	Social	Governance
Companies should report on environmental management such as deforestation, waste and water impacts and risks	Companies should report on compliance with human rights standards including within their supply chain	Board should contain independent members and consist of diversity of thought, background, and experience
Companies should report carbon emissions and disclose climate-related risks and opportunities	Companies should report on wage metrics like gender pay equity and CEO-worker pay ratio	Members should not serve on too many boards, and attend at least 75% of the time
Companies should disclose operational alignment with Paris agreement goals	Companies should report on political spending and lobbying efforts	Pay and performance should be connected, and structure disclosed to shareholders

## Key Voting Themes

<b>GOVERNANCE</b>	Pay and performance should be connected Independence	Board attendance Leadership and board diversity		
<b>SHAREHOLDER RIGHTS</b>	Say-on-pay votes Rights to call special meetings	Shareholder action by written consent		
<b>SHAREHOLDER PROPOSALS - ENVIRONMENT</b>	Reporting action on climate change allows shareholders to better assess climate-related risk	Supermajority vote positions can impede shareholder rights		
<b>SHAREHOLDER PROPOSALS - SOCIAL</b>	Political spending/lobbying disclosures - allow shareholders to better assess related risks	Reporting on compliance with human rights standards	Disclosure on company's efforts to address hate speech	Race and gender pay equity reporting
<b>SHAREHOLDER PROPOSALS - GOVERNANCE</b>	Recoupment of unearned bonuses (clawback policy)	Separation of chair & ceo/independent chair		



# ENGAGEMENT REPORT

PATHFINDER KIWISAVER

## Our engagement report as of December 2020

We cannot positively impact and improve our world by sitting back and being passive. We need to be active. This means selecting 'good' companies to invest in and it also means taking active steps to engage as a responsible and ethical investor.

Sometimes we are invested in a company and want to nudge it to improve in some areas, for example more transparency around carbon emissions. Sometimes a company needs to change the way it operates before we would consider investing. This could be improving practices in its supply chain or reducing its carbon footprint.

Engagement is wider than direct communication with companies and how we vote as a shareholder. It includes our work in the media and speaking at conferences to raise awareness around ethical investing. It also involves us meeting with companies that have the very highest environmental and social standards so we can learn more about what 'good' looks like.

**We cannot positively impact and improve our world by sitting back and being passive. We need to be active.**

Earlier this year we made available our 2020 engagement report, which we have updated below:

- 1) **Direct company engagement:** We engage informally with NZ companies to share our views around environmental, social and governance issues. During 2020 this included engagement on climate change, medicinal/recreational cannabis regulation and renewable energy.
- 2) **Our campaigns with major NZ companies:** We wrote to the top 20 listed companies in New Zealand asking for detail on their climate change and environmental targets. We have not yet had all responses.
- 3) **Engaging with purposeful companies:** We strive to encourage and grow other purposeful companies in NZ. We have met with a range of awesome NZ companies that are disrupting the accepted ways things are done. These can include early stage start-ups (like Mutu), social enterprises (like the Good Registry) and B Corp certified companies (like Sharesies and CoGo).
- 4) **Collaborative engagements:** We have supported the NZ Super Fund's engagement with social media companies (*the Christchurch Call*) and work by the Investor Group on Climate Change.
- 5) **Engaging with NGOs:** As an ethical investor we must be informed and aware on environmental and social issues. We actively meet with NGOs and Foundations to remain consistent with our values of 'aware, fair and care'. Our engagement has included Akina Foundation, Forest & Bird, Everybody Eats, NZ Anti-Vivisection Society and Garden to Table.
- 6) **Media work:** We had 19 articles published in the media on ethical investment with topics including climate change, animal testing and returns from investing ethically. Media who published our articles included Stuff, NZ Herald, The Spinoff and Good Magazine.
- 7) **Ethical investing podcasts:** We participated in 10 podcasts on ethical investing through 2020 including with Mindful Monday, Sharesies, This Climate Business and Seeds.
- 8) **Conferences and community presentations on ethical investment:** We spoke at 11 conferences and community events on topics including ethical investing, medicinal cannabis and impact investing. Examples include events organised by the Sustainability Trust, Mind Lab, NZ Super Fund and Otago University. Our CEO is also on the organising committee for the Responsible Investment Association of Australasia conference.
- 9) **Shareholder voting:** We voted 4,814 times on resolutions in 2020. Of these, 280 of our votes (5%) were against management recommendations.
- 10) **ESG shareholding voting:** Below we set out our voting on 147 key ESG resolutions we identified through 2020:



Key shareholder ESG resolutions	Examples an ESG issues voted on	Our thinking	% of time we voted against management
<b>Environmental (11)</b>	Many resolutions have demanded more transparency around climate reporting. For example, a UPS shareholder focused on the company's contribution to climate change.	We believe increased disclosure allows shareholders to better understand the company's role in climate change and their resilience to climate-related risks.	64%
<b>Social (45)</b>	Increasingly complex supply chains require high levels of transparency. For example, we supported a shareholder proposal asking Tesla to increase reporting on human rights issues.	Tesla's products use resources sourced through complex and global supply chains. Cobalt is produced largely in the DRC where child labour is pervasive. While Tesla has policies and practises to remove child labour from the supply chain as much as possible, we believe further reporting is important.	53%
<b>Governance (91)</b>	Well governed companies manage ESG factors more effectively and are lower risk investments. For example, we supported shareholder proposals at Amazon's AGM seeking the board's Chair to be an independent director.	Independent directors should provide robust oversight of risk and management accountability. Independence is especially important in the Chair of a Board.	56%

# TCFD Disclosures

## Governance of Climate-Related and Opportunities

Board's oversight of climate-related risks and opportunities	The Board is ultimately responsible for Pathfinder's response to the risks and opportunities presented by climate change. CIO and Investment Committee report to the board
Management's role in assessing and managing climate-related risks and opportunities	Management has day-to-day responsibility for identifying and managing climate-related risks and opportunities. The Investment Team and Ethics Committee are given responsibility for climate-related issues.  Our overall approach to climate-related risks and opportunities is outlined in Our View on Climate Change

## Strategy

Climate-related risks and opportunities identified over the short, medium, and long-term	Pathfinder has identified various risks and opportunities over the short, medium, and long-term in the form of either physical risk or transitional risk. Physical risks include extreme weather events such as increasing storm frequency and intensity. Transitional risks include increasing regulatory constraints on carbon and changing customer demand for lower carbon products.
Actual and potential impacts of climate-related risks and opportunities on the Company's strategy and financial planning	Our recognition of climate-related risks and opportunities shapes our investment strategy; we proactively seek out low-carbon investments and avoid investment in highly intensive companies, unless we have identified the company as actively transitioning in line with Paris goals. We also look to support technological innovation that aims to overcome environmental challenges.
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2C or lower scenario	Pathfinder has undertaken scenario modelling to assess the resilience of our investment strategy. These scenarios are based on a 1.5C, 2C, and a reference scenario.

## Risk Management

Processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are primarily identified, assessed, and managed by the Investment Team. These processes are supplemented with input from the Ethics Committee
Processes for managing climate-related risks	Key risks identified are entered into the Risk Register, and materiality of the risk is then determined by a formal assessment process.
Processes for identifying, assessing, and managing climate-related risks and integrating them into overall risk management	Significant climate-related risks are brought to the attention of the Ethics Committee as part of the reporting process, and where appropriate are escalated to the Board.

## Metrics and Targets

Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Emissions intensity & overall carbon footprint

Reporting greenhouse gas emissions

Pathfinder discloses emissions and offsets on an annual basis.

Targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Our current targets include:

- Emissions intensity 65% below benchmark - achieved.
- Increase proportion of investees that have set approved science-based targets from 2020 base of 27.7% in line with the SBTi Financial Sector guidance<sup>1</sup>.
- Offset all portfolios by 2030 (Note: We have offset KiwiSaver funds and Ethical Growth fund as of 31/3/21) and achieve net zero



### Certificate of Verified Carbon Unit (VCU) Retirement

Verra, in its capacity as administrator of the Verra Registry, does hereby certify that on 18 Jun 2021, 525 Verified Carbon Units (VCUs) were retired on behalf of:

Jarden Securities Limited - Cancellation for Fund

Project name:

Distribution of ONIL Stoves - Mexico

VCU serial number:

7667-421128892-421129416-VCU-050-APX-MX-1-1216-01082018-31122018-0

**Additional Certifications:**

Additional details on this retirement can be found on the Verra Registry.





We are living in a time where we have more information available than ever – including on the visible impacts of climate change and the ways that climate change exacerbates the stark inequalities that already exist.

Every day we see the evidence of our impacts on the planet in the news, from devastating fires to catastrophic flooding and storms. It's also becoming increasingly clear that the impacts of climate change are not felt equally by people across the world.

At Pathfinder we look to the global UN Sustainable Development Goals as a guide to direct capital towards businesses and sectors creating necessary positive change. But there is no hard and fast rule; some companies might contribute positively to one goal, while contributing negatively to another. And companies will always promote any good things they do while hiding the bad.



Ethical investing (or sustainable investing, ESG investing, etc), although growing rapidly, is still a relatively young and niche form of investing; ESG disclosures are still mostly voluntary so reported data can often lack detail and consistency.

We need better disclosures from businesses so that we can make informed decisions about how our own savings are invested. We hope that this Sustainability Report provides a starting point for further discussion and disclosure of relevant ESG metrics.

**Kate Brownsey**

ESG Analyst  
Author and Coordinator

Data in this report has been obtained from numerous sources.  
Feel free to contact me (kate@path.co.nz) if you would like any further information.



Born and raised in Kathmandu, I didn't always have access to the sustainable issues that appear mainstream in western society. Looking at sustainability in practice through working and investing with Pathfinder has helped me switch my mindset from ethical investments being a luxury, to a necessity as we meet the very real challenges we face today.

Working at Pathfinder has opened my eyes to the ways in which investments can make a real impact. I have always tried to be mindful with my daily life choices. And knowing and understanding where your funds are invested in, is a different kind of power.

Gender equality is a big part of what we do. The inequality that exists when it comes to women in governance or household, only highlights the huge challenges in this space. I come from a community where women and girls have no freedom of speech. Investments like *"Women's Livelihood Bond 2"* help give women micro entrepreneurs a voice and freedom to build their own future.



Let's do what we can to make better choices around the world that we want to live in because there is no planet B.

**Ayesha Giri**

Design and Marketing  
Design & Coordinator

# Pathfinder

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Invest Ethically

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