



CERTIFIED BY RIAA

Responsible Investment Certification Program

#22. Requirement for trading with Ethical Investment Trade Mark Symbol

To be read with:

- 1 Program Overview and Guidelines
- 2 Program Requirement by Category
- 5 Concerns and Grievance Statement
- 7 Licensee Marketing Kit and Style Guide
- 8 Program Code of Conduct
- 11 Program Expectations for ESG Integration
- 14 Verification Requirements & Certification of Underlying Fund Managers
- 17 Responsible Investment Strategies Defined

Applies to:

Certified Product, Certified KiwiSaver/Superfund options and Certified Superfund Whole of Funds

Requirement:

In addition to fully meeting the Program Requirements for each Category of the RI Certification Program, to trade with the Ethical Investment Trade Mark Symbol Certified products and options must exclude investments involved in certain harmful activities, exclude a minimum number of harmful activities and apply minimum thresholds to certain exclusions. Products and options trading with the Ethical Investment Trade Mark Symbol shall:

1. Deliver the minimum product exclusions

Exclude the following activities and enterprises (Required Exclusions) which form part of a commitment to deliver on international conventions and which are recognized by consumer research to be the minimum exclusions expected; and

		Required Exclusions; preferred scope and thresholds
RE	Armaments, defence, weapons	<i>Controversial weapons</i> (and preferably all other weapons used for militaristic and non-militaristic purposes)
RE	Uranium mining, and nuclear power	<i>Uranium mining for the purposes of nuclear weapons manufacturing and power generation; and nuclear-based power generation</i>
RE	Tobacco	<i>Production of tobacco</i> (and preferably tobacco distribution, marketing and sales)
RE	Fossil fuels	<i>Thermal coal mining, brown coal power generation, oil sands production, coal to oil, coal seam gas or gas; with a 0-5% revenue threshold so long as companies can demonstrate progress to an exit plan by 2020; AND power generation with black coal, gas or gas with fugitive emissions with no more than a 10% revenue threshold so long as companies can demonstrate progress to an exit plan by 2025</i>

Except for the Fossil Fuels exclusion (which has its specific thresholds expressly stated above), the thresholds (activity exposure; revenue) for Required Exclusions be set at 0% or very close to it. If not completely 0%, then clear, prominent explanation must be provided for the consumer.



CERTIFIED BY RIAA

Responsible Investment Certification Program

2. Boast the minimum scope of optional exclusions

Exclude two or more of the following activities and sectors (Optional Exclusions) as consumer research into ethically-minded investor expectations shows they expect more than the minimum required exclusions but also have their own responsible investing preferences; and

		Exclusions; preferred scope and thresholds
OE	Alcohol	<i>Alcohol production</i> (and preferably distribution, marketing and sales of alcohol and real estate assets principally involved in housing alcohol sales activities).
OE	Pornography, adult entertainment	<i>Adult entertainment production</i> (and preferably the unmoderated distribution of adult entertainment)
OE	Gambling	<i>Gambling</i> (and preferably the provision of credit for any sort of gambling and real estate assets principally involved in the housing of gambling activities)
OE	Animal cruelty	<i>Animal testing on cosmetics</i> (and preferably the testing on animals for pharma and other purposes, and intensive livestock farming etc. and require a commitment for these to the reduction of harm, refinement of process and replacement of subjects)

The thresholds for these Optional Exclusions be set at 0 or very close to it. Higher thresholds may be considered more appropriate for less direct involvement (e.g. retailing, transportation) or where an asset/enterprise is strategically and demonstrably transitioning away from harmful activities (e.g. gas/energy company moving rapidly towards a goal of being 100% renewable).

3. Demonstrate progress towards building in other aspects of consumer expectations related to responsible investing

Base investment decisions on sound consideration of ESG investment factors alongside traditional financial factors; and/or

Be guided by a formal, published statement of responsible investment commitment and strategy (i.e., policy, charter etc.); and/or

Consider the inclusion of positive tilts and screens which target assets and enterprises identified as ethical and/or involved in activities that put society, environment and economy on a more sustainable footing.



Responsible Investment Certification Program

Summary of other Program Requirements

Please refer to the following Program documents; these summary points below (4 – 7) may not exactly match those in the official Program documents.

- 1 Program Overview and Guidelines*
- 2 Program Requirement by Category*

4. Demonstrate compliance with legal and governance requirements

Have their RI strategies documented in legal product documentation: provide full disclosure of their RI strategies in the Product Disclosure Statement, Statement of Investment Policy and Objectives, Information Memorandum or Pitch book and/or equivalent documentation that supports the product; and

Have auditable RI strategies and processes: can detail their RI Product/Superfund/KiwiSaver strategy and explain the specific RI processes, management systems and reporting frameworks undertaken for their RI Product/Superfund/KiwiSaver. These RI strategies are systematically and consistently applied to the Product/Superfund/KiwiSaver and thereby differentiate it from its traditional (i.e. non-RI) equivalent investment product; and

Have their underlying fund managers Certified (Superfund/KiwiSavers only): the Superfund/KiwiSavers' underlying asset manager/s must be certified under the Program. Some exemptions to this may be negotiated where a manager is either managing an immaterial portion of the investment option's total assets and/or is located outside of Australasia; and

Have their RI processes verified: on entry to the Program, have the Product/Superfund/KiwiSaver and its management processes audited by a Third-Party Verification entity appointed by RIAA; where some or all of the products are managed by external manager/s, those managers' processes are also required to be audited by a Third-Party Verification entity appointed by RIAA (unless already certified by RIAA).

5. Provide appropriate, true and timely disclosures

Disclose holdings, product performance and (for Superfund/KiwiSaver providers only) the names of any underlying managers: regularly publish (with no longer than a quarterly lag period) the past performance results/returns of the product (where relevant) and provide full holdings disclosure (for equities funds, or an equivalent disclosure for other products) for the product ensuring that these are updated at least every six month, and (for Certified Superfund/KiwiSaver), the names of any underlying managers; and



CERTIFIED BY RIAA

Responsible Investment Certification Program

6. Provide educational information to members

Provide educational information to members (for Superfund/KiwiSaver only): provide accessible and relevant educational information to members about the Certified Superfund/KiwiSaver and responsible investing more broadly; and

7. Be subject to the other quality and accountability aspects of the Program

Invite their members, clients and peers to hold them to account for their behaviours consistent with the Program *Code of Conduct* (which covers responsible marketing, promoting responsible investment more broadly); and

Make themselves available to RIAA's annual spot audits (executed by RIAA or a Third-Party Verification Panel member designate) covering between 5-10% of eligible Program participants renewing Program certification in a given year; and

Agree to participate in good faith in the Program's Concerns & Grievance Policy and Procedures with a view to protecting the reputation of responsible investment peers, individual investors and/or the responsible investment industry as a whole; and

Responsibly and consistently promote responsible investing by the use of the Certification Trade Mark Symbol in the marketing of the certified funds and incorporating the Symbol into marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*.