



# Forsyth Barr Funds

## ESG Screening Disclosure

25 October 2024

Our ESG screening of the underlying funds that the Forsyth Barr Funds invest in has identified the following flags:

FORSYTH BARR FUND	UNDERLYING FUND	UN GLOBAL COMPACT ALIGNMENT - 'FAIL'	ESG CONTROVERSY OVERALL FLAG - 'RED'	TOBACCO PRODUCTS - >5% REVENUE	CONTROVERSIAL WEAPONS - >5% REVENUE	THERMAL COAL EXTRACTION >5% REVENUE	TOTAL % OF UNDERLYING FUND (AS AT 30 SEPTEMBER 2024)
<b>Global Quality Fund</b>	GMO Quality Trust				Safran		2.71%
<b>Healthcare Fund</b>	Vanguard Health Care ETF		Universal Health Services				0.22%
<b>AUS Companies Fund</b>	Octagon Australian Equity					BHP Group	8.01%

While we routinely conduct screening for ESG matters, this disclosure will only be updated if a further flag is identified or if there is a material change to the existing ones.

We use MSCI One to help us screen the funds for common ESG issues like companies that manufacture tobacco or extract thermal coal. You can find more information about what we do in the Forsyth Barr Funds ESG Policy, which is in the Statement of Investment Policy and Objectives for the Forsyth Barr Funds on our website ([www.tempo.co.nz](http://www.tempo.co.nz)).

On 25th October 2024, we transitioned our ESG screening provider from Sustainalytics to MSCI One. We continue to screen for the same core issues. *The change in provider may lead to different results because each provider applies its own methodologies and data sources. This means that an investment flagged using one provider may not be flagged using a different provider.*

As a reminder, we do not manage the underlying funds that our Global and Specialist funds invest in, and Octagon Asset Management is the investment manager of the underlying funds that our New Zealand and Australian funds invest in. This means we don't have control over the holdings within the underlying fund and cannot dispose of a flagged investment should one arise. We are committed to disclosing information if a company is flagged by our ESG screen. We will then disclose any decisions we make on whether to (a) continue to select the underlying fund, or (b) sell it.

When choosing to retain, or replace, underlying funds the Tempo Investment Committee considers a wide range of factors including the attributes of the current fund and its manager, the availability and attributes of alternative options, the significance and magnitude of current and potential future ESG flags, and fees for our customers. At this time, the Tempo Investment Committee is comfortable that our current fund selection balances all relevant considerations.

After review by the Tempo Investment Committee, we have made the following decisions:

- To continue to select the GMO Quality Trust as the underlying fund for the Forsyth Barr Global Quality Fund. Our screening flagged Safran because more than 5% of its revenue comes from the manufacture of the core weapons system of controversial weapons. Safran SA is a French multinational high-technology group, operating in the aviation (propulsion, equipment, and interiors), defense and space markets. The exception accounts for just under 3% of the underlying fund. The Tempo Investment Committee is of the view that the fund continues to provide a global, quality equity exposure for investors and the holding flagged during ESG screening does not dilute this focus. It remains our preferred investment choice to meet the investment objective of the Global Quality Fund. This decision is subject to ongoing review.
- To continue to select the Vanguard Health Care ETF as the underlying fund for the Forsyth Barr Healthcare Fund. Our screening flagged Universal Health Services for an overall red flag ESG controversy score related to an indirect subsidiary of Universal Health Services reporting lawsuits over alleged negligence, sexual abuse, and wrongful death of patients at its facilities. Universal Health Services accounts for only a very small (de minimis) proportion of the underlying fund. Therefore, the Tempo Investment Committee is of the view that the fund continues to provide a core, US healthcare equity exposure for investors and the holding flagged during the ESG screening does not dilute this focus. The Vanguard Health Care ETF remains our preferred investment choice to meet the investment objective of accessing the US healthcare sector. This decision is subject to ongoing review.

- To continue to select the Octagon Australian Equity fund as the underlying fund for the Forsyth Barr AUS Companies Fund. Our screen flagged the mining company BHP Group because more than 5% of its revenue comes from thermal coal extraction. The exception accounts for approximately 8% of the underlying fund. The Tempo Investment Committee is of the view that the fund continues to provide a core, Australian equity exposure for investors and the holding flagged during ESG screening does not dilute this focus. The Octagon Australian Equity fund remains our preferred investment choice to meet the investment objective of accessing Australian equities. This decision is subject to ongoing review.

#### **How does this impact you as an investor?**

This may impact your decision-making, particularly if investing in these companies does not align with your values as an investor.