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MAS Responsible Investment Policy

**Issued by Medical Funds
Management Limited**

1 December 2025

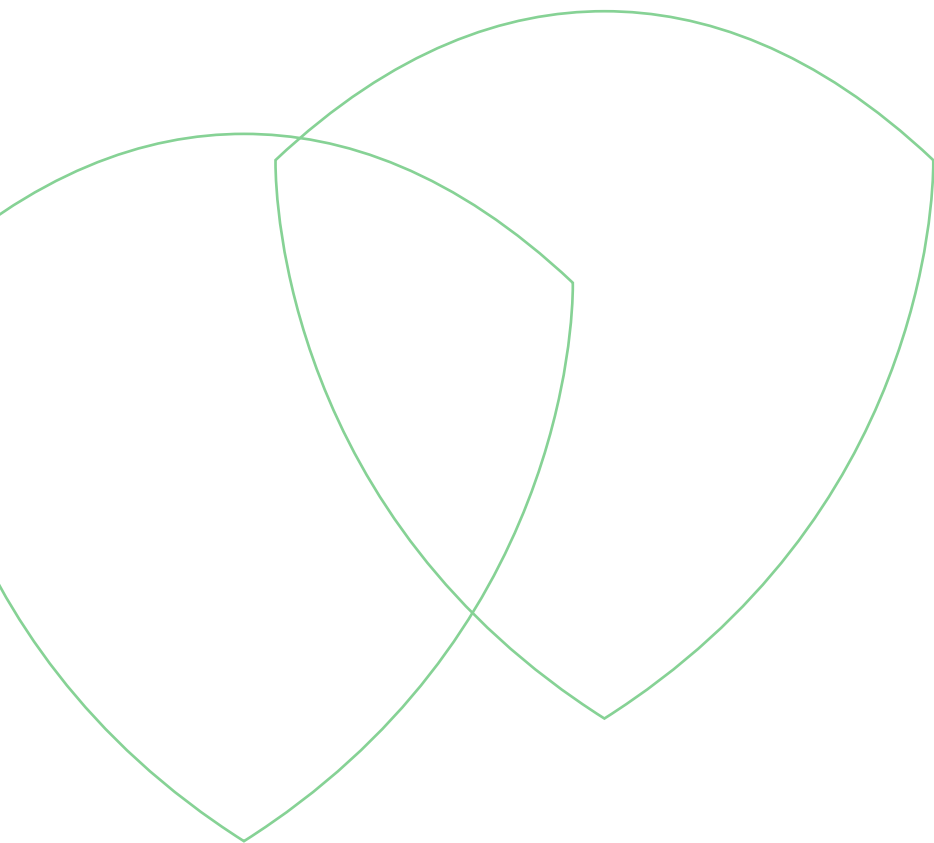
Signatory of:



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The MAS Responsible Investment Policy covers all MAS Schemes and Group Funds (refer Schedule 1).



1. Purpose and scope

The MAS Responsible Investment Policy (Policy) describes the way that Medical Funds Management Limited (MFM), as the Manager of the MAS Schemes, and MAS Group Funds (refer to Schedule 1), implements its responsible investment beliefs. MFM is a wholly owned subsidiary of Medical Assurance Society New Zealand Limited (MAS). MAS (us, we, our) is the term used throughout this Policy to refer to all MAS Group companies and activity across all entities.

This Policy is designed to be read alongside other governing documents, including the Schemes' Product Disclosure Statements (PDS), Statements of Investment Policy and Objectives (SIPO), and Other Material Information booklets (OMI).

This Policy is reviewed annually, or more frequently if required, and approved by the MAS Group Boards. Accordingly, this Policy may be subject to change from time to time.

Refer to a list of our key definitions in Schedule 3.

2. Guiding principles

MAS believes investing responsibly can support a sustainable future, and more specifically that:

- It is responsible to restrict investments in sectors based on their involvement in areas of harm.
- Environmental, social and governance (ESG) factors, including climate factors, can impact long-term risk and return outcomes, and these should be incorporated into the investment decision making process.
- Active management can support a more sophisticated application of responsible investment principles beyond simple exclusions.
- Active ownership can support long-term shareholder value creation by providing investors with an opportunity to enhance the value of companies and markets.

3. Responsible investment approach

Our approach to responsible investment is as follows:

- Screening exclusions – we do not invest in companies that meet certain criteria, including those relating to fossil fuels, weapons, tobacco and very severe controversies (refer Schedule 2).
- ESG integration – ESG factors, including climate factors, are considered as part of the investment decision making process as described below under the heading ESG integration.
- Active ownership – we arrange for proxy voting at company meetings and engagement with investee companies.
- Industry associations – our membership of industry associations UNPRI and RIAA demonstrates our commitment to incorporating responsible investment considerations into our investment practices.

In addition to the MAS Schemes, this Policy is also applied in its entirety to MAS internal insurance reserves and company money.

We do not apply this Policy to private equity investments.

Screening exclusions

We do not invest in companies that fail to meet certain criteria. We have agreed with our specialist investment managers that they will apply our exclusion criteria (refer Schedule 2) as part of their approach to responsible investing. These exclusions also apply to any derivatives held in the MAS Schemes and Group Funds.

Our exclusion criteria are designed to be consistent with our guiding principles and responsible investment approach.

We have adopted a targeted approach to exclusions, which allows for specific approved exceptions to the exclusion screens, where there is not a practical alternative. For example, we do not exclude investment in companies with exposure to metallurgical coal, which is a key ingredient in steel production for which there is no cost-effective substitute. All exceptions to our exclusion criteria must be approved by the MAS Group Boards.

The screens utilised are either based on a company's involvement in restricted activities or revenue thresholds received from those restricted activities. The screens are selected based on MAS's ethical beliefs about responsible investment, as described in our guiding principles.

A full list of our exclusion criteria, and approved exceptions can be found in Schedule 2.

Sanctions: The MAS Group Boards must approve any country or group exclusions imposed over and above New Zealand law and regulation and this Policy.

Implementation methodology

This Policy, including our exclusion criteria, is provided to our specialist investment managers who use their respective ESG data analytics provider(s) to determine which exclusion screens best match our criteria. Our specialist investment managers and/or the ESG data analytics provider(s) then apply these screens to securities to determine a company's involvement in activities that are subject to our screening exclusions. Identified securities are then restricted from being held in our Schemes or Group Funds.

Some securities may not be covered by the screens provided by the ESG data analytics provider(s). These securities must either meet the specialist investment manager's responsible investment framework, or be divested as outlined under the 'Divestment timing' heading in section 4 of this Policy.

ESG integration

Our specialist investment managers incorporate many factors into their decision-making process. This includes ESG factors.

We consider a manager's ESG capabilities when conducting a manager selection process and continue to review their capabilities on a regular basis once appointed. We qualitatively assess the manager's responsible investing approach and integration into its investment process. Examples may include, but are not limited to, how they consider climate change, if they have suitable resources to appropriately consider ESG factors, and which responsible investment organisations they are a signatory of.

On top of screening for exclusions, for ESG integration, a portion (57% benchmark) of our international equities, is invested in a customised strategy that combines the MSCI Climate Paris Aligned Index Methodology with MAS' exclusions. The strategy seeks to reduce exposure to climate risk and increase exposure to positive climate themes, while using an optimisation process to minimise the tracking error relative to the parent index, the MSCI All Country World Total Return Index.

ESG risk assessment is a developing field. As the industry evolves, greater data accessibility, improved accuracy, and/or changes to the reported exposure to exclusions, may lead to the identification of holdings that no longer meet our exclusion criteria. If this occurs, the newly excluded investment will be divested in line with the 'Divestment timing' heading in section 4 of this Policy.

Active ownership

Share voting

As a shareholder of publicly listed companies, MAS has the right to vote on investors' behalf (proxy vote) at shareholder meetings. We regard proxy voting as an important fiduciary responsibility. MAS engages the services of a proxy voting agent, who votes according to their proxy voting guidelines as selected by MAS.

Our latest proxy voting report is published on our website at mas.co.nz/responsible-investments.

We endeavour to vote on all shareholdings via our proxy voting agent. Our ambition is to use shareholder voting rights to influence companies to conduct their business in a socially and environmentally responsible manner in accordance with our guiding principles above.

The proxy voting activities and the voting agent's guidelines, are reviewed annually to ensure alignment with our guiding principles.

Engagement

Engaging with companies to promote our ESG beliefs is an important part of our responsible investment approach. We may engage with companies to advocate for human rights, labour rights, anti-corruption, and the environment. Engagement activities are executed on our behalf by our agent according to our instructions. Our latest engagement report is published on our website at mas.co.nz/responsible-investments.

Companies are identified and engaged with in collaboration with other investment managers within the industry. Working with other managers enables us to leverage the collective shareholder influence of numerous investors and achieve greater impact than we could on our own.

Industry associations

MAS is a signatory to the UN Principles of Responsible Investment (UNPRI) and the eligible funds of the Schemes identified in Schedule 1 are certified by the Responsible Investment Association of Australasia (RIAA).

UNPRI is a leading proponent of responsible investment and supports an international network of investor signatories to incorporate ESG factors into investment and ownership decisions. There are 6 UNPRI Principles, which includes having a Responsible Investment Policy and incorporating ESG factors into the investment process. More information on the UNPRI Principles can be found at unpri.org/about-us/about-the-pri.

RIAA promotes responsible investing and a sustainable financial system in Australia and New Zealand. RIAA certification of our funds signifies MAS has implemented an investment style and process for these funds that takes into account ESG considerations, and this investment process reliability has been verified by an external party. RIAA certification is typically reviewed and renewed every 2 years.

MAS believes the purpose of these organisations is aligned to our guiding principles. Our membership of UNPRI and certification by RIAA provides an independent assessment of our responsible investment programme and signals our commitment to investing responsibly.

We believe these organisations represent best practice for responsible investment and being a member enables us to stay up to date on industry developments. In the event that either RIAA or UNPRI update their criteria, or we fall short of meeting the requirements¹, we will proactively engage with the relevant organisation, seeking to address and resolve any identified issues.

¹ UNPRI minimum requirements include having a formal policy that sets out the responsible investment approach and covers more than 50% of assets under management. RIAA requirements include that ESG factors must be accounted for in the investment process and disclosure of portfolio holdings and stewardship activities.

4. Implementation and governance

Exclusions

The list of companies we will not invest in is based on our exclusion criteria which can be found in Schedule 2. Any changes to these criteria are approved by the MAS Group Boards and implemented by our specialist investment managers.

Monitoring

Our specialist investment managers monitor our investments against the exclusion screens. These screens are formally reviewed by their ESG data analytics provider on an annual basis, or reviewed and updated more frequently if required, to ensure the screens remain appropriate and best reflect our exclusion criteria. There is no ongoing exclusion monitoring for private equity investments.

The Investment Committee oversees the Responsible Investment Policy, which is approved by the MAS Group Boards. This Policy will be reviewed annually by the Investment Committee, or more frequently if required. The Investment Committee is to be kept informed on the implementation of this approach, including confirmation that exclusion screens as described in Schedule 2 have been applied appropriately.

Key responsibilities for the maintenance and implementation of this approach:

Name of owner	Area of responsibility
MAS Group Boards	• Approve this Policy • Approve exclusion criteria
Investment Committee	• Endorse Policy and exclusion criteria to Board for approval
MAS CEO	• Monitoring of Policy • Reporting to Investment Committee

Divestment timing

Exclusion screens are applied at least quarterly. Any investment that does not comply with this Policy in the most recent screening will be divested as soon as reasonably practicable, usually within 4 weeks, taking into consideration factors such as market liquidity. Following any changes made to the exclusion criteria, or notification of screen updates by the ESG data analytics provider, divestment will occur at the next quarterly screening, or earlier if practicable.

Climate change

Climate change is an important issue for MAS. We are committed to fulfilling any disclosure and reporting requirements we have under New Zealand law and the Aotearoa New Zealand Climate Standards. The most recent climate statements in respect of our climate reporting entities can be found on the Climate-related Disclosures Register

companiesoffice.govt.nz/all-registers/climate-related-disclosures.

5. Schedules of the Policy

Schedule 1

MAS Schemes¹:

- MAS KiwiSaver Scheme (eligible funds are RIAA Certified)
- MAS Retirement Savings Scheme (eligible funds are RIAA Certified)
- MAS Investment Funds (eligible funds are RIAA Certified)

MAS Group Funds:

- Medical Insurance Society Limited
- Medical Life Assurance Society Limited
- Medical Funds Management Limited
- Medical Assurance Society New Zealand Limited

¹ The Responsible Investment Association of Australasia does not currently assess cash funds as part of their Certification Programme.

Schedule 2 – List of exclusions

Our investment managers use their respective ESG data analytics provider(s) to determine a company's involvement in the below activities and adopt screens that best match this list of exclusions. The implementation of these exclusions can be impacted by the accessibility and accuracy of data, as well as interpretations made by the ESG data analytics provider.

Investors should be aware of the risk that on occasion the Schemes may inadvertently hold a security which, according to this Policy, we should not hold. For example, this could happen where an improvement in the availability of data may mean that a security that was previously held in compliance with the Policy may no longer meet the Policy requirements.

Any error in the application of the Policy that we identify will be addressed in accordance with the process under the 'Divestment timing' heading in section 4 of this Policy. However, where any non-compliance with this Policy is caused by or occurs because a portfolio's assets are transitioning between underlying investment managers (whether existing or replacement), such non-compliance shall not be considered a breach of this Policy provided it is rectified as soon as reasonably practicable after such transition is complete.

The specialist investment managers that apply our exclusions, may at times face practical or technical constraints in fully aligning with our specified exclusions. In those circumstances we will engage with the specialist investment manager to find an appropriate solution while maintaining the guiding principles of this Policy.

Sector	Product involvement	Threshold for exclusion
Fossil fuels	Oil, gas, and coal Companies that generate 10% or more of their revenues from: - the exploration, extraction, refining, or processing of oil, gas, or coal - the supply of equipment and services to oil and gas exploration - oil, gas, or coal-based power generation.	10% or more of revenues
Weapons	Controversial weapons Companies that generate any revenue from the manufacture of controversial weapons, including those prohibited under New Zealand legislation such as cluster munitions, chemical weapons, antipersonnel mines, or nuclear explosive devices.	0% or more of revenues
	Civilian firearms Companies that generate 10% or more of their revenue from production, wholesale or retail sale of firearms or small arms ammunition intended for civilian use.	10% or more of revenues
	Military contracting Companies that generate 10% or more of their revenue from weapons systems, component and support systems, or weapons services.	10% or more of revenues

Tobacco	Production or Manufacture Companies that generate any revenue from the production or manufacture of tobacco, tobacco-based products or exclusively produce alternative smoking products. Retail sale, distribution, license, or supply of essential products Companies that generate 10% or more of their revenue from the: • retail sale of tobacco products • distribution of tobacco products • licensing to tobacco products • production and supply of essential products for the production of tobacco products.	0% or more of revenues 10% or more of revenues
Controversies	MSCI Controversy scores Companies involved in 'very severe' controversies that score 0 ('red flag') on MSCI's ESG Controversy criteria are excluded from all portfolios.	All companies that are non-compliant

Approved exceptions to exclusions listed in Schedule 2

- Metallurgical coal: Metallurgical coal is used as a primary ingredient in steel production and there is presently no cost-effective substitute available. As such, we do not exclude metallurgical coal mining and certain by-products that primarily result from its use in the steel production process.

Schedule 3 – Key definitions

- Investment: includes listed equity and debt securities.
- Companies: refers to registered companies.
- Manufacture: the making of goods, including primary production.
- Sale: the selling of goods and/or services.
- Distribution of tobacco products: companies involved in the wholesale of tobacco products to retailers and other distributors.
- Licensing to tobacco products: companies that license brand names to tobacco products.
- Tobacco products: includes, but may not be limited to, tobacco, alternative smoking products or tobacco-based products.